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Date 20 November 2014

**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, 28 NOVEMBER 2014**

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, 28 November 2014** 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 buffet lunch is to be provided at the conclusion of the meeting.

**YORKSHIRE PURCHASING ORGANISATION MANAGEMENT COMMITTEE -
Friday, 28 November 2014**

AGENDA

1. Apologies for Absence.
2. To note any items which the Chairman has agreed to add to the agenda on the grounds of urgency.
3. Members' Declaration of Interest.
4. Minutes of the Management Committee - 30 June 2014. (Pages 1 - 7)
5. Minutes of the Executive Sub-Committee - 5 September 2014. (Pages 8 - 9)
6. Minutes of the Audit Sub-Committee - 10 October 2014. (Pages 10 - 14)
7. Minutes of the Scrutiny Sub-Committee - 12 September 2014. (Pages 15 - 16)
8. Associate Member Criteria. (Pages 17 - 19)
9. Associate Member Proposals. (Pages 20 - 25)
10. Compliance with the Localism Act 2011 and the Local Government Transparency Code 2014. (Pages 26 - 41)
11. Risk Management Process. (Pages 42 - 58)
12. Exclusion of the Public and Press.
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 13 to 18 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**
13. Capitalisation Policy. (Pages 59 - 73)
14. Movement of Reserves. (Pages 74 - 77)
15. Business Update June to November. (Pages 78 - 80)
16. Budget and Business Plans for 2015. (Pages 81 - 90)
17. Three Year Strategy 2015 to 2018. (Pages 91 - 105)
18. Energy Procurement and Governance. (Pages 106 - 108)
19. Date and Time of Next Meeting.
The next meeting of the YPO Management Committee will be held on 20 March 2015 at 10.30am.

YORKSHIRE PURCHASING ORGANISATION MANAGEMENT COMMITTEE

Monday, 30 June 2014

Present: **Barnsley MBC**
 Councillor Barnard

City of Bradford
 Councillor Warburton
 Councillor Sykes (Vice Chair)

Calderdale MBC
 Councillor Smith

Doncaster MBC
 Councillor Cooper-Holmes

Kirklees MC
 Councillor O'Donovan
 Councillor Stubley

Knowsley MBC
 Councillor Keats

North Yorkshire CC
 County Councillor Mackenzie

Rotherham MBC
 Councillor Sharman (Chair)

St Helens MBC
 Councillor Fletcher

Wakefield MDC
 Councillor Shaw
 Councillor Stokes

Wigan MBC
 Councillor Halliwell
 Councillor Walker

City of York
 Councillor Horton

1. **Members' Declaration of Interest**
 No declarations of interest were made.

2. **Membership of the Management Committee of the YPO Joint Committee 2014/15**
 The Monitoring Officer presented a report to receive nominations from the Constituent Authorities in relation to membership of the Management Committee of the YPO Joint Committee for the 12 month period commencing June 2014. Members were informed that Calderdale MBC had appointed Councillors Smith and Pillai whilst Doncaster MBC had appointed Councillors Cole and Cooper-Holmes.

**YORKSHIRE PURCHASING ORGANISATION MANAGEMENT COMMITTEE –
MONDAY, 30 JUNE 2014**

Resolved – That the report be accepted.

3. Apologies for Absence

Apologies for absence submitted prior to the meeting were accepted on behalf of Councillors Gardiner (Barnsley MBC), Morris (Bolton MB), Bury (Bolton MB), Trotter (North Yorkshire CC), Atkin (Rotherham MBC), Glover (St Helens MBC), Pillai (Calderdale MBC) and Barton (City of York) were accepted.

4. Election of Chair

The Monitoring Officer requested nominations for the position of Chair of the Management Committee for 2014/15. A nomination was received and seconded on behalf of Councillor Sharman (Rotherham MBC).

Resolved – That Councillor T Sharman of Rotherham MBC be elected Chair of the Management Committee of the Yorkshire Purchasing Organisation for 2014/15.

Councillor Sharman took the chair, thanked the Committee for their support and welcomed all new Members.

5. Election of Vice Chair

The Chair requested nominations to the position of Vice Chair for 2014/15. A nomination was received and seconded on behalf of Councillor Sykes (Bradford MDC).

Resolved – That Councillor Sykes of Bradford MDC be elected as Vice Chair of the Management Committee of the Yorkshire Purchasing Organisation for 2014/15.

Councillor Sykes thanked the Committee for their support.

6. Minutes of the Management Committee - 21 March 2014

Resolved – That the Minutes of the meeting of the YPO Management Committee held on 21 March 2014 be accepted as a correct record.

7. Minutes of the Executive Sub-Committee - 6 March and 11 April 2014

Resolved – That the Minutes of the meetings of the YPO Executive Sub-Committee held on 6 March and 11 April 2014 be accepted as a correct record.

8. Minutes of the Audit Sub-Committee - 7 February and 11 April 2014

Resolved – That the Minutes of the meetings of the YPO Audit Sub-Committee held on 7 February and 11 April 2014 be accepted as a correct record.

9. Minutes of the Scrutiny Sub-Committee - 14 February and 2 May 2014

Resolved – That the Minutes of the meetings of the YPO Scrutiny Sub-Committee held on 14 February and 2 May 2014 be accepted as a correct record.

10. Appointments to Sub-Committees and Joint Consultative Committee 2014/15

Consideration was given to a report to receive nominations from the

**YORKSHIRE PURCHASING ORGANISATION MANAGEMENT COMMITTEE –
MONDAY, 30 JUNE 2014**

Constituent Authorities in relation to membership of Sub-Committees and Joint Consultative Committee and to determine the membership for those meetings for the 12 month period commencing June 2014. The membership details were:-

Barnsley MBC

Councillor Barnard – Scrutiny Sub-Committee and Audit Sub-Committee
Councillor Gardiner – JCC

Bolton MBC

Councillor Bury – Scrutiny Sub-Committee
Councillor Morris – Audit Sub-Committee

Bradford MDC

Councillor Sykes – Executive Sub-Committee and JCC (as Vice Chair)
Councillor Warburton – Scrutiny Sub-Committee

Calderdale MBC

Councillor Smith – JCC
Councillor Pillai – Scrutiny Sub-Committee

Doncaster MBC

Councillor Cole – Audit Sub-Committee
Councillor Cooper-Holmes – Scrutiny Sub-Committee

Kirklees MC

Councillor O'Donovan – Executive Sub-Committee
Councillor Stubley – Audit Sub-Committee

Knowsley MBC

Councillor Keats – Executive Sub-Committee
Councillor Moorhead – Audit Sub-Committee

North Yorkshire CC

County Councillor Trotter – Audit Sub-Committee
County Councillor Mackenzie – Executive Sub-Committee

Rotherham MBC

Councillor Sharman – Executive Sub-Committee and JCC (as Chair)
Councillor Atkin – Scrutiny Sub-Committee

St Helens MBC

Councillor Glover – Scrutiny Sub-Committee
Councillor Fletcher – Executive Sub-Committee

Wakefield MDC

Councillor Stokes – Executive Sub-Committee
Councillor Shaw – Audit Sub-Committee

Wigan MBC

Councillor Halliwell – Executive Sub-Committee
Councillor Walker – Audit Sub-Committee

**YORKSHIRE PURCHASING ORGANISATION MANAGEMENT COMMITTEE –
MONDAY, 30 JUNE 2014**

City of York

Councillor Horton – Executive Sub-Committee and Audit Sub-Committee

Councillor Barton – JCC

Resolved – That the report be noted.

11. Committee Work Programme

Consideration was given to a report of the Managing Director which detailed the work of the YPO Management Committee and its associated Sub-Committees. The report also included the meeting schedule, terms of reference, principle agenda items and training schedule for each Committee and Sub-Committee.

It was highlighted to Members that an additional meeting of Audit Sub-Committee may be arranged in July if required.

Following a discussion, it was agreed that the Scrutiny Sub-Committee training schedule relating to Project Management be changed from 8th May 2015 to 15th May 2015 to coincide with the meeting date.

Resolved – (1) That the terms of reference for 2014/15 for the Management Committee, Executive Sub-Committee, Audit Sub-Committee, Scrutiny Sub-Committee and Joint Consultative Committee be agreed.

(2) That the Flow Chart Procedure, Meeting Schedule and Principle Agenda Items for 2014/15 be agreed.

(3) That the Training Schedule for 2014/15 be agreed subject to Project Management on 8th May 2015 being rearranged to 15th May 2015 to coincide with the Scrutiny Sub-Committee.

12. Governance Review - Standing Orders

Members considered a report of the Managing Director which detailed a number of items which impacted on the manner and methodology by which YPO was managed and which had been reviewed and updated. Collectively these documents formed key elements of the governance of YPO.

Resolved – That the Meeting Standing Orders for 2014, as detailed in Appendix 1, be approved and adopted.

(1) Managing Director Delegation

Members gave consideration to a report detailing powers delegated to the Managing Director and reporting responsibilities of Senior Managers within YPO.

Resolved – That the Managing Directors Scheme of Delegation, as detailed in Appendix 2, be approved and adopted.

(2) Contract Standing Orders and Financial Procedures

Members gave consideration to the revised Contract Standing Orders and Financial Procedure Rules, attached as Appendix 3. A list of governance policies previously approved, along with details of the

**YORKSHIRE PURCHASING ORGANISATION MANAGEMENT COMMITTEE –
MONDAY, 30 JUNE 2014**

recommended amendments to the policies, were attached as Appendix 4. Appendix 5 detailed the Anti-Fraud and Bribery Policy; the Code of Corporate Governance; and the Risk Management Policy and Strategic Framework.

The Chair thanked Kayley Sykes for pulling the information together for the Management Committee.

Resolved - (1) That the Anti-Fraud and Bribery Policy and Fraud Response Plan be approved and adopted.

(2) That the Code of Corporate Governance be approved and adopted.

(3) That the Risk Management Policy and Strategic Framework be approved and adopted.

13. Annual Report

The Managing Director submitted his annual report to the Management Committee as set out in YPO Management Agreement.

The Managing Director highlighted a number of key achievements contained within the Annual Report. It was explained that it was intended to circulate the Annual Report to Leaders, Chief Executives and Finance Directors of member authorities and also use it more widely as marketing and promotional material.

A copy of the report was circulated to Management Committee.

Resolved – That the report be noted.

14. Audited Financial Statements

Consideration was given to a report of the Managing Director which presented to Members' the 2013 Audited Statement of Accounts and Annual Governance Statement (attached as Appendix 1), the KPMG report to those charged with governance (attached as Appendix 2) and the letter of representation to KPMG (attached as Appendix 4).

It was acknowledged that the Audited Statement of Accounts had been produced within a challenging deadline and quality and standard of the accounts had continued to be enhanced.

Members and Directors of YPO wished to place on record their gratitude to all employees for contributing to the profit results highlighted in the report. Thanks were also given to YPO's Financial team and Officers of Wakefield MDC for achieving high quality accounts.

Resolved - (1) That the completion of the Audited Statement of Accounts for 2013 and the contents and response contained in the report to those charged with governance (attached as Appendix 3) be noted.

(2) That Members note the KPMG "issues and recommendations" and "management response" contained in Appendix 1 of the report to those charged with governance (ISA260) 2013.

**YORKSHIRE PURCHASING ORGANISATION MANAGEMENT COMMITTEE –
MONDAY, 30 JUNE 2014**

15. Associate Membership Proposal

A report of the Commercial Director provided Members with relevant background information and a supporting strategy statement which recommended that Associate Membership status be granted to London Borough of Harrow Council.

Resolved – (1) That Associate Membership be given to London Borough of Harrow Council be approved.

(2) That Management Committee agree that the approval comes with qualifying growth criteria of £250,000 for supplies or £500,000 for frameworks.

Mr Hepworth left the meeting during consideration of the following item.

16. Role of the Independent Director

Consideration was given to a report of the Managing Director which provided an overview of the options available on the expiration of the Independent Director's contract which was due to end in September 2014.

A discussion took place regarding the options.

Resolved – That it be agreed to recruit an Independent Director for a further two year period through open advertisement, using the draft job description attached to the report, to ensure that the appointee had a strong commercial background.

Mr Hepworth returned to the meeting.

17. Exclusion of the Press and Public

Resolved - That the public and press be excluded from the meeting during consideration of Agenda Items 19 to 20 on the grounds that they were 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

18. Business Update (Exempt - Paragraph 3)

The Managing Director presented a report giving an update of the activities of the Organisation since the last meeting and to give an overview on forthcoming activities and challenges. The report included an update on the organisations operational, procurement, commercial, workforce and local economy issues.

Resolved – That the report be noted.

19. Re Designation of Reserve (Exempt - Paragraph 3)

Consideration was given to a report of the Managing Director seeking the re-designation of 2013 earmarked reserves for the reasons set out in the report and described at the meeting.

Resolved – That the recommendations contained in the report be agreed.

**YORKSHIRE PURCHASING ORGANISATION MANAGEMENT COMMITTEE –
MONDAY, 30 JUNE 2014**

20. Date and Time of Next Meeting

Resolved – That the next meeting of the YPO Management Committee be held on 28 November 2014 at 10.30am.

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YORKSHIRE PURCHASING ORGANISATION EXECUTIVE SUB-COMMITTEE**Friday, 5 September 2014**

Present: The Chair – Councillor Sharman (Rotherham MBC)
The Vice Chair – Councillor Sykes (City of Bradford)
Councillors O'Donovan (Kirklees MBC), Keats (Knowsley MBC), Mackenzie (North Yorkshire CC), Fletcher (St Helens MBC), Stokes (Wakefield MDC) and Horton (City of York).

48. CHAIR'S INTRODUCTION AND WELCOME

The Chair, Councillor Sharman, welcomed Members to the meeting.

The Chair thanked Malcolm Hepworth for his valuable contribution as an Independent Board Member for YPO over the years as this was his last Executive meeting and went on to wish him well for the future.

49. APOLOGIES FOR ABSENCE

Apologies for absence submitted prior to the meeting were accepted on behalf of Councillor Kenny (Wigan Council).

50. MINUTES - 11 APRIL 2014

Resolved – That the Minutes of the meeting of the YPO Executive Sub-Committee held on 11 April 2014 be approved as a correct record.

51. MEMBERS' DECLARATIONS OF INTEREST

No declarations of interest were made.

52. LEAD AUTHORITY ISSUES

The Lead Authority Solicitor informed Members that Transpennine Properties had now been wound up with no residual assets.

53. EXCLUSION OF THE PUBLIC AND PRESS

Resolved – That the public and press be excluded from the meeting during consideration of Agenda Items 8 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.

IN PRIVATE**54. BUSINESS UPDATE APRIL - AUGUST (EXEMPT - PARAGRAPH 3)**

Directors of YPO presented a report giving an update of the activities of the organisation since the last meeting of the Sub-Committee and gave an overview on forthcoming activities and challenges. The report included an update on the organisation's operational, financial and workforce issues and gave a commercial update.

Resolved – That the report be noted.

55. HALF YEAR FORECAST (EXEMPT - PARAGRAPH 3)

A joint report was submitted by the Managing Director and the Head of Performance, Business Planning and Management Accounting, advising Members on the outcome of the 2014 Half Year Review for the Organisation. Background to the position was detailed for Members which included both internal and external influences which had affected the performance of YPO.

**YORKSHIRE PURCHASING ORGANISATION EXECUTIVE SUB-COMMITTEE - FRIDAY, 5
SEPTEMBER 2014**

Resolved – (1) That the Executive Sub-Committee note the forecast position for YPO for 2014.

56. PERFORMANCE REPORT (EXEMPT - PARAGRAPH 3)

The Managing Director presented a report which highlighted the performance results for the Organisation.

Resolved – That the performance report on the Key Performance Indicators be noted.

57. THREE YEAR STRATEGY HEADLINES (EXEMPT - PARAGRAPH 3)

Consideration was given to a report of the Managing Director which provided Members with an early view of the themes contained in YPO Strategy 2015 – 17.

The final report would be presented to the Management Committee meeting in November.

Resolved - That the report be noted and any contributions from Members would be welcome.

58. DATE AND TIME OF NEXT MEETING - 7 NOVEMBER 2014

Resolved – That the next meeting of the YPO Executive Sub-Committee be held on 7 November 2014 at 10.00am.

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YORKSHIRE PURCHASING ORGANISATION AUDIT SUB-COMMITTEE**Friday, 10 October 2014**

Present: The Chair – Councillor Shaw (Wakefield MDC);
Councillors Barnard (Barnsley MBC), Cole (Doncaster MBC),
Walker (Wigan MBC) and Horton (City of York).

1. ELECTION OF CHAIR

The Managing Director opened the meeting and requested nominations from Members for the position of Chair of the YPO Audit Sub-Committee for the forthcoming year. A nomination was received on behalf of Councillor Shaw (Wakefield MDC) and seconded.

Resolved – That Councillor Shaw of Wakefield MDC be elected Chair of the YPO Audit Sub-Committee for 2014/15.

2. CHAIR'S INTRODUCTION AND WELCOME

The Chair, Councillor Shaw welcomed everyone to the meeting.

The Chair informed Members that there had been a change to a couple of dates for Audit Sub-Committee meetings planned for 2015. The meeting planned for 6 February 2015 moved to 13 March 2015 and the meeting planned for 17 April 2015 moved to 1 May 2015.

3. ACCEPTANCE OF APOLOGIES FOR ABSENCE

Apologies for absence submitted prior to the meeting were accepted on behalf of Councillor Morris (Bolton MBC).

4. MINUTES - 11 APRIL 2014

Resolved – That the Minutes of the meeting of the YPO Audit Sub-Committee held on 11 April 2014 be approved as a correct record.

5. MEMBERS' DECLARATION OF INTEREST

No declarations of interest were made.

6. URGENT ITEMS

The Chair announced that he had agreed to the addition of three further items, to be considered, in private, entitled Reserves and Capitalisation, Proposed Changes to Finance Structure and Ex-Employee.

7. INTERNAL AUDIT PLAN TEMPLATE 2015

Consideration was given to a report of the s151 Officer which provided Members with information relating to the 2015 Draft Internal Audit Plan. The Annual Audit Plan template for 2015, which identifies areas of potential audit activity, was attached at Appendix A.

The overall strategy for provision of the Internal Audit service is specified within the Internal Audit Annual Strategic Plan, approved by Wakefield Council. The Internal Audit Annual Strategic Plan provides the basis for YPO annual planning. The YPO Annual Audit Plan details the individual audits to be undertaken within the overall strategy for the year ahead.

Each calendar year a risk based Annual Plan of audit work to be performed is prepared by the Service Manager Internal Audit and Risk, and submitted to the Director of Finance, Property & Resources and Managing Director of YPO for approval. It is then

**YORKSHIRE PURCHASING ORGANISATION AUDIT SUB-COMMITTEE - FRIDAY, 10
OCTOBER 2014**

submitted to the YPO Board of Directors for ratification. The Annual Audit Plan is presented to the Audit-Sub Committee for comment and Management Committee for Member approval.

Resolved – That the Annual Audit Plan template for 2015 be noted.

8. PROGRESS ON THE 2014 INTERNAL AUDIT PLAN

Consideration was given to a report of the s151 Officer which provided Members with details of Internal Audit's performance and working during the period April to September 2014, attached at Appendix A.

In line with the agreed protocols, a further progress report would be submitted to the next meeting of the Audit Sub-Committee.

Resolved – (1) That the report be noted.

(2) That a further progress report be submitted to the next meeting.

9. YEAR END CLOSEDOWN TIMETABLE.

Consideration was given to a report of the Managing Director which informed Members of the contents of the 2014 closedown timetable.

The KPMG report to those charged with governance issued in April 2014 stated "Management have provided high quality draft accounts for audit. The improvement in the accuracy and completeness of accounting policies has continued in 2013 with a change in the accounting policy to reflect the actual working papers addressing the requirements set out in our Prepared by Client list. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales.

The Organisation has made progress in implementing the recommendations in the 2012 report to those charges with governance (ISA260) relating to the financial statements."

The Organisation has again set a realistic timescale for the production of the statement of accounts and is committed to build upon the significant improvements evidenced in previous years. The Organisation plans to present the Audited statement of Accounts for approval to the Audit Sub-Committee now planned for 1 May 2015.

Resolved – That the closedown timetable and plan be noted.

10. EXTERNAL AUDIT PLAN

Consideration was given to a report of KPMG on the External Audit Plan.

Members were informed by KPMG of the headlines and two audit risks which have been addressed appropriately by YPO.

Resolved – That the 2014 External Audit Plan, be noted

11. PAYMENT CARD POLICY

Consideration was given to a report of the Managing Director which provided Members with the updated Payment Card Manual for YPO which was attached at Appendix 1.

A Payment Card is a type of bank card which may be used for payment of approved

**YORKSHIRE PURCHASING ORGANISATION AUDIT SUB-COMMITTEE - FRIDAY, 10
OCTOBER 2014**

organisational expenditure by authorised card holders. The use of payment cards is governed by the rules detailed in the Payment Card Manual along with those stated in the Organisation's Standing Orders for Contracts and Financial Procedures Rules.

Resolved – That the updated Payment Card Manual be noted.

12. RISK MANAGEMENT PROCESS

Consideration was given to a report of the Managing Director seeking recommendation for the acceptance of the Risk Management Policy and Strategic Framework by Management Committee, attached at Appendix 1.

Risks can be defined as the effect of uncertainty on objectives. YPO faces a range of risks affecting the achievement of its objectives. Risk Management is the process by which risks are identified, evaluated and controlled and is a crucial element of good corporate governance.

YPO's Risk Management Policy and Strategic Framework provide a framework within which YPO will manage risk. The document has been reviewed and the key changes are summarised below:

- Inclusion of a statement of the Organisation's risk appetite. Risk appetite is the amount and type of risk that the organisation is prepared to seek, accept or tolerate.
- The risk assessment criteria has been amended from a 5x5 matrix to a more simpler 3x3 matrix consisting of low, medium and high ratings.
- The relationship between the risks identified in the business planning process, Business Change Programme and other projects the links between these risks and the operational and strategic risk registers has been formally documented.
- The risk management process has been updated to reflect current best practice.

Resolved – That the Risk Management Policy and Strategic Framework for YPO be approved by Management Committee.

13. EXCLUSION OF THE PUBLIC AND PRESS

Resolved – That the public and press be excluded from the meeting during consideration of Agenda Items 14 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.

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14. RISK REGISTER

A report of the Managing Director provided details of the Strategic Risk Register for YPO along with the details of amendments made to the Strategic and Operational Risk Registers in Q2 and Q3 2014.

Resolved – (1) That the YPO Strategic Risk Register, be noted.

(2) That the amendments to the Strategic and Operational Risk Registers made during Q2 and Q3 2014, be noted.

**YORKSHIRE PURCHASING ORGANISATION AUDIT SUB-COMMITTEE - FRIDAY, 10
OCTOBER 2014**

15. INTERNAL AUDIT ACTION UPDATE

Consideration was given to a report which provided an update as to the progress made towards agreed actions resulting from internal audits completed at YPO as part of the Annual Audit Plan by WMDC Internal Audit.

Full details of outstanding actions resulting from the 2011 and 2012 Annual Audit Plans and the current status of these actions can be found in Appendix 1. Outstanding actions from the internal audit completed from the 2013 Annual Audit Plan and progress made against the agreed actions can be found in Appendix 2.

Resolved – That the progress made in implementing internal audit actions, be noted.

16. BUSINESS CONTINUITY PLAN

A report of the Risk Audit and Assurance Officer provided an update as to the progress made within the organisation towards the completion of Business Continuity Plans (BCP) testing for critical areas.

Resolved – That the report and Appendix, be noted.

17. RESERVES AND CAPITALISATION

Members were informed by the Managing Director that as part of the review of YPO's financial procedures it had become apparent that the organisation had developed an approach of using a mixture of historical reserve funding and capitalisation for major investments.

As part of the review of capital reserves, it has also become apparent that an error was contained in the reserves calculation which led to the recommendation to add extra funding to the Financial Stability Fund in March 2014.

Resolved – (1) That the Capitalisation Policy is written, using Lead Authority format as a basis and it will be submitted to the November 2014 Management Committee for approval.

(2) That Members agree to delegate review of the Policy to the Chair of Audit Committee and then the Chair will recommend approval to the Management Committee.

(3) That on completion of the Capitalisation Policy, this is used as a basis to finalise a proposed movement of reserve funding to redress the shortfall in the Financial Stability Fund and create a revised fund for on-going investments.

18. PROPOSED CHANGES TO FINANCE STRUCTURE

Consideration was given to a report entitled the Proposed Changes to Finance Structure.

Members were informed that the creation of a single Head of Finance to lead on all financial decision making within YPO would ensure that Financial Best Practice is consistently implemented; also a customer focused approach internally and externally and would future proof a structure to support YPO's growth ambitions.

Resolved – That the proposed changes to the Finance Structure, be approved.

**YORKSHIRE PURCHASING ORGANISATION AUDIT SUB-COMMITTEE - FRIDAY, 10
OCTOBER 2014**

19. EX-EMPLOYEE

The Managing Director briefed Members on a situation regarding a former employee who had been dismissed. Subsequent investigations had revealed further issues which have been reported to West Yorkshire Police. There are two separate but linked matters which are currently under Police investigation. Members will be kept informed of any subsequent developments.

Resolved – That the Members be kept informed of developments.

20. DATE AND TIME OF NEXT MEETING

Resolved – That the next meeting of the YPO Audit Sub-Committee will be held on 13 March 2015 at 10.00 am.

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YORKSHIRE PURCHASING ORGANISATION SCRUTINY SUB-COMMITTEE

Friday, 12 September 2014

Present: The Chair Councillor Warburton (Bradford MDC)
Councillors Barnard (Barnsley MBC), Atkin (Rotherham) and
Glover (St Helens MBC).

38. ELECTION OF CHAIR

The Managing Director opened the meeting and requested nominations from Members for the position of Chair of the YPO Scrutiny Sub-Committee for the forthcoming year. A nomination was received on behalf of Councillor Warburton (Bradford MDC) and seconded.

Resolved – That Councillor Warburton of Bradford MDC be elected Chair of the YPO Scrutiny Sub-Committee for 2014/15.

39. CHAIR'S INTRODUCTION AND WELCOME

The Chair, Councillor Warburton, welcomed Members to the meeting.

40. APOLOGIES FOR ABSENCE

Apologies for absence submitted prior to the meeting were accepted on behalf of Councillors Pillai (Calderdale) and Cooper-Holmes (Doncaster).

41. MINUTES - 2 MAY 2014

Resolved – That the minutes of the YPO Scrutiny Sub-Committee held on the 2 May 2014 be approved as a correct record.

42. MEMBERS' DECLARATIONS OF INTEREST

No Declarations of Interest were made.

43. EXCLUSION OF THE PUBLIC AND PRESS

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 during consideration of Agenda Items 7 to 10 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

44. PROCUREMENT SERVICES STRATEGY

Members were given a presentation by the Procurement and Supply Chain Director providing them with a background on the Procurement Services area of the business, including an update on the 2012-14 strategy and highlights for the new three year strategy.

The report explained how a recent recruitment drive had brought in staff with a strong public sector background in order to help with procurement. Many frameworks had been developed and were developing that would enable savings and improve engagement across various areas of the company, including customers.

Members raised a number of issues and detailed responses from YPO Officers were accepted.

**YORKSHIRE PURCHASING ORGANISATION SCRUTINY SUB-COMMITTEE - FRIDAY, 12
SEPTEMBER 2014**

Resolved – That the report be noted.

45. SALES ANALYSIS

Members were given a presentation by the Commercial Director providing them with a summary of the business year to date. Although the market was really tough at the present time with strong competition, the YPO was raising its profile through lots of hard work which included the new website and targeted campaigns. There had been significant growth in catering, sports and school supplies amongst others. There had been some losses in Scotland, however, plans were being undertaken to get the clients back.

Members raised a number of issues and detailed responses from YPO Officers were accepted.

Resolved – That the report be noted.

46. WORKFORCE STRATEGY

Members were given a presentation by the Head of HR and People Support Services providing an update in relation to Workforce Strategy (2012-2014). Much work had been done to develop the organisational culture of the company and develop plans which would build a multi skilled workforce. Staff were being recognised in the form of employee awards, free fruit and coffees, family fun days, a 40th birthday party and an internal magazine. There was a fantastic apprenticeship scheme with 26 currently employed and a conversion rate of 100% of which just 1 had left. A new workforce strategy was currently being written to for 2014 – 2017 which would be presented to scrutiny next year.

Members raised a number of issues and detailed responses from YPO Officers were accepted.

Resolved – That the report be noted.

47. PROGRAMME LESSONS LEARNED

Members were given a presentation by the Head of Business Change and IT providing an overview of the key lessons learned from the Business Change Programme. A number of workshops had been arranged and informal interviews with several key people to obtain feedback as to what had been successful and also areas for change. This would be an ongoing process to continue what was going well and maybe discard other work.

Resolved – That the report be noted.

48. DATE AND TIME OF NEXT MEETING

Resolved – That the next meeting of the YPO Scrutiny Sub-Committee be held on 6 March 2015 at 10.00am.



YPO
MANAGEMENT COMMITTEE
TO BE HELD ON
28TH NOVEMBER 2014

TITLE: ASSOCIATE MEMBERSHIP APPROVAL CRITERIA

REPORT OF: PROCUREMENT AND SUPPLY CHAIN DIRECTOR

1. PURPOSE OF REPORT

1.1 The purpose of this report is to recommend a more structured set of approval criteria for associate membership of YPO.

2. BACKGROUND INFORMATION

2.1 The Associate Membership scheme for YPO has been very successful since its inception and has been a major driver for business growth over the current three year cycle.

2.2 YPO now has 31 associate members including major cities (Birmingham, Manchester, Sheffield, Leeds) and 2 London Boroughs.

2.3 However, the criteria for accepting associate members have not been well-defined and on a number of occasions the criteria have been varied to suit particular circumstances.

2.4 Strategic Officers have requested that a more comprehensive set of approval criteria are drawn up to enable YPO to assess more easily whether an application is in line with the strategic objectives of the organisation.

2.5 YPO will recommend associate membership if authorities meet any of these qualifying criteria:

1. They are in a strategic target geographic area.

(For example, in recent years these have included London and West Midlands).

2. They are in a strategic target market.

(For example Emergency Services)

3. They are adding (or currently account for) significant volume to strategic spend categories.

Significant volume is > £500k for frameworks and >£250k for supplies per annum.

On top of this, we will ask for the following from each application:

1. A senior level written commitment to work closely with YPO to develop collaboration opportunities.

2. A plan to work with YPO to promote YPO supplies to their local schools.

3. A forecast of future growth as a result of the above activities.

2.6 All associate membership applications will be reviewed by the YPO Strategic Officer Group before being submitted to Executive Sub-Committee and Management Committee for approval.

2.7 Changes to the approval criteria laid out in this report would have to be agreed by Executive Sub-Committee.

2.8 The current method of calculating dividend is unaffected by this recommendation.

2.9 YPO will not currently accept associate membership applications from any type of organisation other than Local Authorities, Police Authorities and Fire Authorities.

2.10 Commercial relationships with other partners (such as Academy Trusts, Colleges, National Buying Groups, NHS Trusts) will be developed through different channels.

3. STRATEGIC IMPLICATIONS

3.1 Associate Membership remains a key strategic tool to help drive YPO's growth and the management team will continue to seek associate membership applications from authorities that meet the criteria in this report as we believe that this is in the best interests of the founder members.

4. FINANCIAL IMPLICATIONS

4.1 The current method of calculating dividend is unaffected by this recommendation. Associate Members will continue to earn dividend only on spend above an agreed baseline.

4.2 This method of calculating dividend protects the proportion of rebate allocated to founder members.

5. RISK IMPLICATIONS

5.1 There is a risk that YPO's growth is restricted if the associate membership scheme does not continue to be a success.

6. RECOMMENDATION (S)

6.1 It is recommended that the approval criteria laid out in this report are adopted for all future associate membership applications.

SERVICE DIRECTOR & CONTACT OFFICER: (PAUL SMITH, PROCUREMENT AND SUPPLY CHAIN DIRECTOR)

Yorkshire Purchasing Organisation
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YPO

MANAGEMENT COMMITTEE

TO BE HELD ON

28TH NOVEMBER 2014

SUBJECT: ASSOCIATE MEMBERSHIP PROPOSALS

REPORT OF: COMMERCIAL DIRECTOR

WALSALL COUNCIL

1 PURPOSE OF REPORT

1.1 Provide summary of formal application for Associate Membership received from Walsall Council and the base spend figures based on the authorities previous usage of YPO energy contracts.

2 SUMMARY

2.1 Walsall Council have submitted a formal application for Associate Membership, see Appendix 1 dated 30th May 2014 on the understanding that this application will not be considered by YPO Management Committee until November 2014. Walsall Council have been contracted users and members of the YPO Energy frameworks for a considerable time and have been over the years active members of the EISG group.

2.2 Over their years of usage of YPO Walsall have directed contractual spend in excess of £30 million through these YPO frameworks for Electricity and Gas Supply and thus contributed significantly to the financial performance of the organisation during this period.

3 RECOMMENDATIONS

3.1 In order to support business retention specifically on Electricity & Gas spend through YPO and developing future growth from Walsall it is recommended that this application is accepted with the following baseline figures from 2013 used in the submission to Management Committee:

Stock & Food	£244,661
Direct	£125,474
Contractual	£8 million

- 3.2 This equates to 2013 spend profile with YPO and anticipated continuing engagement through YPO contracts.
- 3.3 On the basis of the above criteria being approved it is recommended that the standard growth threshold of £500,000 be applied across a mix of catalogue spend and contractual engagements.
- 3.4 The introduction of Walsall Council to the YPO Associate Members group further supports the strategic development within the Midlands region following the recent introduction of Birmingham City Council and Staffordshire County Council and will help drive further potential expansion from the likes of Coventry, Dudley, Solihull and Wolverhampton.

4 BACKGROUND

- 4.1 In 2013 Walsall Council's reported spend through YPO framework's is estimated to be around £8 million with the breakdown as follows:

Electricity Contract £6.million
Gas Contract £2.million

- 4.2 In terms of Walsall schools and other catalogue spending establishments the 2013 total spend was £370,136 detailed statistics are as follows:

Stock £244,661
Furniture £83,852
Direct £41,622

- 4.3 Walsall Metropolitan Borough Council was established in 1974 with 60 local councillors representing 20 wards covering some 40 square miles and a population of over 300,000.
- 4.4 The continuing pressures on local authority spending have been leading to some considerable changes to the operational structure of the authority and this is documented in the published savings targets for 2014-2015 of £18.5 million. In terms of procurement capacity the authority is reducing the FTE count by 5 posts with only 2 positions retained to provide a centralised support function with directorates being the focus going forward for procurement activity and expertise.
- 4.5 Walsall Council current YPO engagement is limited to Energy category with spend on Electricity and Gas however we have an opportunity to expand YPO coverage across a number of key category areas including School spend , Fleet , Buildings & Highways and ICT. We are currently discussing the potential use of YPO Contract 324 for the procurement of 20 + Refuse Collection Vehicles valued at over £3 million and the approval of Associate Membership will obviously aid these discussions.

LONDON BOROUGH OF BRENT

5. PURPOSE OF REPORT

- 5.1 Provide summary of formal application for Associate Membership received from London Borough of Brent and the base spend figures for 2013 from the authorities previous usage of YPO.

6. SUMMARY

- 6.1 London Borough of Brent have submitted a formal application for Associate Membership, see Appendix 2 dated 18th November 2014 following discussions going back to August 2014.
- 6.2 London Borough of Brent commenced trading with YPO back in December 2010 through engagements with local schools and have gradually increased their spend through the YPO catalogue during the period 2011 – 2013 to a level of £85,290 for the full year 2013 which included an element of one off spend on the Phonics campaign of £37,364.

7. RECOMMENDATIONS

- 7.1 In order to support continued growth from the YPO catalogue proposition and developing future growth from Brent on framework engagements it is recommended this application is accepted with the following baseline figures from 2013 which excludes the Phonics spend as detailed above.

Stock & Food	£32,554
Direct	£15,372
Contractual	£0

- 7.2 This equates to 2013 spend profile with YPO and anticipated continuing engagement through YPO contracts.
- 7.3 The qualifying growth criteria of £500,000 over the baseline will be applied to this application across a mix of catalogue spend and contractual engagements from London Borough of Brent.
- 7.4 The introduction of London Borough of Brent to the YPO Associate Members group further supports the strategic development within the London region following the previous introduction of the London Boroughs of Hillingdon and Harrow and will help drive further potential expansion and engagements with the likes of Barnet, Ealing and Hounslow who are also part of the West London Alliance group.

8. BACKGROUND

- 8.1 London Borough of Brent Council was formed in 1965 located in North West such as London and forms part of the outer London bordering a number of key boroughs such as Barnet , Camden , Ealing and Harrow. Brent is home to significant national landmarks Wembley Stadium and Wembley Arena.
- 8.2 Brent has a population of over 315,000 based on 2011 census information and covers a geographic area of over 40 square kilometres split into 3 parliamentary constituencies Brent North, Brent Central and Hampstead & Kilburn.
- 8.3 Within the borough of Brent there are 100 school establishments of which YPO currently only trades with 39 so the potential for partnership working with the local authority to raise expenditure in the non-spending schools in the area is significant.
- 8.4 The authority has already put in place an action plan to identify opportunities for both catalogue growth and framework engagements through YPO which is encouraging and should create some positive outcomes going forward. They have also committed to promoting YPO widely across the borough as well as through the collaborations with the West London Alliance group.
- 8.5 We have been working with them recently on developing a standard Furniture package for their forthcoming school expansions programme which will lead to increased usage of YPO Furniture category as well as the design team.

SERVICE DIRECTOR: (JO MARSHALL, COMMERCIAL DIRECTOR)

CONTACT OFFICER: (DAVID BEMROSE, HEAD OF BUSINESS DEVELOPMENT)

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APPENDIX (CES):

Appendix 1 – Letter of Application from Walsall Council

Appendix 2 – Letter of Application from London Borough of Brent



Walsall Council

John Stevens
Interim Head of Property Services

Ref
Date
Telephone

JS/CLE
30 May 2014
01922 652572

Mr David Bemrose
Head of Business Development – Services
Yorkshire Purchasing Organisation
41 Industrial Park
Wakefield
WF2 0XE

Dear David

YPO Associate Membership Scheme

Further to your telephone conversation with Carol Edmondson yesterday, I write to confirm Walsall Council's expression of interest in becoming an Associate Member of the YPO Associate Membership Scheme.

We understand that as YPO's Management Committee only meets twice a year, the earliest opportunity to give consideration to our application will be in November 2014.

Yours sincerely

John Stevens

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Wembley
Middlesex HA9 0FJ

TEL 020 8937 1625

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WEB www.brent.gov.uk

David Bemrose
YPO
Head of Development – Procurement Services
41 Industrial Park
Wakefield
WF2 OXW

Dear David,

Thank you for the time you have taken to explain to us the benefits of becoming an Associate Member of YPO.

Following discussions at one of our management meetings we would like to move forward with the application to become an Associate member.

We do currently use a variety of frameworks through the Pro 5 and CCS and welcome the opportunity to work more closely with YPO on the creation of frameworks for Schools, the council and our wider WLA partners.

At Brent Council we are committed to providing best value to our residents and partners and believe that a close association with YPO will help us to achieve this.

We are fully committed to this partnership and will endeavour to promote the benefits of using YPO frameworks and catalogues to Schools and the council wherever we feel they will provide best value.

Following our meeting we have already put an action plan together to identify opportunities for the use of frameworks and catalogues. Initially we have identified the FFE requirements for schools expansion and will be working with the Service Area to create a specification that can be used as a starting point.

At the moment it is difficult to predict the estimated Annual spend that we will be able to direct through YPO. We do understand that the % dividend is dependent on the spend value compared across Associate Members. I do think it is realistic to expect an annual spend of at least £500,000 in the first year.

I do hope that our application to become an Associate member will be accepted and that we can work in partnership to promote best value procurement across the London Borough of Brent and associated Schools.

Best Regards

Gary Salterpicco
Procurement Manager
London Borough of Brent

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YPO
MANAGEMENT COMMITTEE
TO BE HELD ON
28TH NOVEMBER 2014

SUBJECT: COMPLIANCE WITH THE LOCALISM ACT 2011 AND THE LOCAL GOVERNMENT TRANSPARENCY CODE 2014

REPORT OF: HEAD OF HR AND PEOPLE SUPPORT SERVICES

1 PURPOSE OF REPORT

- 1.1 To agree a Pay Policy for YPO in line with our statutory requirements to comply with the 2011 Localism Act that can be recommended to Management Committee.
- 1.2 To agree the additional information to be published to comply with the Local Government Transparency Code 2014.
- 1.3 To discuss the process for reviewing the living wage on an annual basis.

2 RECOMMENDATIONS

- 2.1 To agree the Pay Policy for 2015.
- 2.2 To agree the information to be published in line with the revised transparency requirements.
- 2.3 To delegate responsibility for reviewing the living wage supplement to the Board in line with the agreement for Board to review Apprentice pay on an annual basis.

3 BACKGROUND

- 3.1 Sections 38 – 43 of the Localism Act 2011 require that local government employers produce a policy statement that covers a number of matters concerning the pay of their staff and principally senior officers. This policy statement meets the requirements of the Localism Act in this regard.

- 3.2 The Local Government Transparency Code 2014 outlines information that each Local Authority must publish and additional information that is recommended for publication, following the principle that all data held and managed by local authorities should be made available unless there are specific sensitivities (e.g. protecting vulnerable people, commercial or operational considerations).

The information concerning staff that must be published is outlined in Appendix B and the information to be published by YPO is attached.

- 3.3 YPO currently has an Apprenticeship pay rate of £140 per week in year one and £160 per week (or age related payments if applicable) in year two. This equates to £3.78 per hour in year one and £4.34 per hour in year two. Both amounts are in excess of the Governments minimum pay for apprentices of £2.73 per hour. Board have delegated responsibility to review the rates on an annual basis in line with any public sector pay increases.

- 3.4 In 2013 as part of the pay policy review for 2014 YPO Management Committee agree to implement the living wage at YPO. This was not via an accreditation process and therefore we are not bound to accept any increases proposed by the living wage foundation. There are currently 9 people in receipt of a living wage supplement at a cost to YPO of around £15,000 per year.

- 3.5 The timing of the living wage foundation recommendations in November each year means that any recommendation for YPO cannot be included in the pay policy review and would therefore have to be brought to committee as a separate report in March the following year. As the impact is minimal as part of the overall pay bill would it be an option for the review of the supplement paid to be delegated to YPO Board in line with the agreement on Apprenticeship pay.

4 OPTIONS APPRAISAL (WHERE APPLICABLE)

- 4.1 To accept the pay policy and additional transparency information as currently written.
- 4.2 To reject the policy in whole or in part and make recommendation for changes.
- 4.3 To delegate any review of the living wage supplement to the Board at YPO.
- 4.4 To request any review of the living wage supplementary payment to be brought back to management committee prior to implementation.

5 FINANCIAL IMPLICATIONS

- 5.1 Any changes to pay will have a financial impact, however the detail as outlined in the pay policy is fully accounted for and includes provision for agreed incremental progression and nationally agreed pay awards.

6. LEGAL IMPLICATIONS

- 6.1 Publication of a pay policy is a statutory requirement of the Localism Act 2011. The publication of additional information is a requirement of the Local Government Transparency Code 2014.

7. EQUALITY IMPLICATIONS / EQUALITY OF OPPORTUNITY IMPLICATIONS

- 7.1 The Pay Policy is fully compliant with the Equality Act 2010.

8. ECONOMIC IMPLICATIONS

- 8.1 As one of the largest employers in Wakefield, YPO's continuing success in maintaining satisfactory pay and conditions support the local economy.

9. HUMAN RESOURCE IMPLICATIONS

- 9.1 The pay policy is fully aligned with YPO's job evaluation policy and terms and conditions and does not propose any variations.

10. RISK ASSESSMENT

- 10.1 None as a statutory requirement to publish information.

11. CONSULTATIONS AND ENGAGEMENT

- 11.1 None in relation to this report, however all changes to roles, pay and terms and conditions are subject to consultation with staff and recognised trade unions.

SERVICE DIRECTOR: (SIMON HILL, MANAGING DIRECTOR)

CONTACT OFFICER: (JULIE WRAY, HEAD OF HR & PEOPLE SUPPORT SERVICES)

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Local Government Transparency Code 2014

The following information is information concerning employment that must be published in line with the revised code

Organisation Chart (top three levels of the organisation)

YPO Board of Directors

Managing Director - the most senior officer at YPO is the Managing Director who working closely with the management committee and lead authority provides provide leadership, strategic direction and operational management to ensure the delivery of all services. The MD also has responsibility for the finance function.

Procurement and Supply Chain Director – this role has responsibility for procurement (supplies and services), contracts, stock control, warehousing, logistics, IT and Programme Management

Commercial Director - this role has responsibility for, Sales, Marketing, Catalogue production, CPD, Customer Engagement and the Trading Team

Head of HR & People Support Services – this role has responsibility for HR, Business Support, CSR, Employee Engagement, Health and Safety, Facilities Management and Quality & Assurance

The Board share responsibility for managing all YPO employees and meet formally on a monthly basis. The Board is chaired by the Managing Director. Reports requiring further scrutiny or decisions outside of the delegated responsibilities are referred as appropriate to the management committee or a relevant sub-committee.

YPO Senior Leadership Team These are all permanent posts. Further details in relation to services and functions, budgets and detailed salary information has not been included as this is deemed to be commercially sensitive information.

Head of Logistics

Head of Procurement Services

Head of Trading

Head of Supply Chain Operations

Head of Customer Experience

Head of Sales and Marketing

Head of Finance

Head of Business Change and IT

Contact details

Role	Current role holder	Contact number	e-mail address
Managing Director	Simon Hill	01924 834811	simon.hill@ypo.co.uk
Procurement & Supply Chain Director	Paul Smith	01924 834969	paul.smith@ypo.co.uk
Commercial Director	Jo Marshall	01924 834976	jo.marshall@ypo.co.uk
Head of HR & People Support Services	Julie Wray	01924 834897	julie.wray@ypo.co.uk
Head of Logistics	Paul Conway	01924 834917	paul.conway@ypo.co.uk
Head of Procurement Services	Chris Graves	01924 834807	chris.graves@ypo.co.uk
Head of Trading	Richard Tinker	01924 834806	richard.tinker@ypo.co.uk
Head of Supply Chain Operation	Faye Barker	01924 834957	faye.barker@ypo.co.uk
Head of Customer Experience	Martin Armytage	01924 885959	martin.armytage@ypo.co.uk
Head of Sales and Marketing	Vacant		
Head of Finance	Vacant		
Head of Business Change and IT	Gavin Rimmington	01924 836993	gavin.rimmington@ypo.co.uk

Senior Salaries – please see the attached link to senior management pay data

Additional Benefits

Pension

The Local Government Pension Scheme (LGPS) covers Council employees and some councillors. The LGPS is a contributory scheme, this means that the employee contributes to the scheme from his or her own salary. Employees contribute between 5.5% - 12.5% of their salaries.

Employers' contributions to the LGPS vary depending upon how much is needed to ensure benefits under the Scheme are properly funded, and are set independently. The rules governing the pension scheme are contained in regulations made by Parliament.

Further information about the scheme can be found on: www.lgps.org.uk

Expenses – What are Senior Officers entitled to?

The Board are expected to work such hours as are necessary to ensure the job gets done. This routinely involves evening and sometimes weekend work as well as a standard Monday to Friday business week.

No extra payments are made for such extended hours.

Senior officers in line with all employees are able to claim for a restricted amount of legitimate business expenses, including business travel in line with YPO's travel and subsistence policy.

Pay Multiple – this is included in the Statement of Pay Policy 2015 which was approved at Management Committee on the 28th November 2014.

Trade Union Facility Time

The only Union recognised by YPO for collective consultation is UNISON. There are 9 elected Union representatives with the following hours allocated for Union duties.

Branch Chair, 7 hours per week.

Branch secretary, 18 hours per week.

Health and Safety rep 4 days per year plus 2 hours a month for meetings.

4 workplace and safety reps 2 hours per month for meetings.

Additional hours may be required for ad hoc meetings, support in conduct issues etc.

1450 hours are currently allocated for a 12 month period which is the equivalent of 0.75 FTE.

In the 12 months to the 30th September 2014 1816 hours were spent on Union duties, the equivalent of 0.94 FTE.

Currently the branch secretary is also the Health and Safety rep which equates to 50% of his available working time.

A basic estimate of spending on Unions as a percentage of the total pay bill (calculated as the number of full time equivalent days spent on union activities multiplied by the average salary divided by the total pay bill) is £21,980 or 0.0018% of the total pay bill.

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YPO Senior Management Pay Data (based on data as at 30th September 2014)

<u>Name</u>	<u>Job Title</u>	<u>FTE</u>	<u>Salary</u>
Simon Hill	Managing Director	1.0	£121,200
Paul Smith	Procurement & Supply Chain Director	1.0	£85,850
Jo Marshall	Commercial Director	1.0	£85,850

Data on salaries above £50,000 (some Senior Managers earn less than £50k)

<u>Salary Bracket</u>	<u>Number of employees</u>
£50,000 - £55,000	1
£55,001 - £60,000	1
£60,001 - £65,000	3
£65,001 - £70,000	1
£70,001 - £75,000	2
£75,001 - £80,000	

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YPO - Statement of Pay Policy 1st Jan 2015 to 31st December 2015

1. Introduction

- 1.1 Sections 38 – 43 of the Localism Act 2011 require that local government employers produce a policy statement that covers a number of matters concerning the pay of their staff and principally senior officers.

This policy statement meets the requirements of the Localism Act in this regard and also meets the requirements of the Local Government Transparency Code 2014.

- 1.2 YPO is a formally constituted joint committee of 13 Local Authorities with Wakefield Council as lead authority. All YPO employees are local government officers and employed by Wakefield Council on behalf of YPO. A management agreement is in place signed by all 13 Authorities this states that:

- (i) The management committee shall determine the size, scope and conditions of service of the Board of Directors of YPO, after receiving appropriate professional advice from the lead authority
- (ii) The Management Committee shall appoint annually an appointments committee with responsibility for the appointment and disciplinary procedures of the Board of Directors and appraising the performance of the Managing Director
- (iii) The Board of Directors shall make arrangements to establish and appoint all other staff in accordance with the approved budget and officer delegation scheme, and to ensure all HR policies and procedures are in accordance with best practice.

- 1.3 This policy is to be considered by Management Committee on the 28th November 2014 and if agreed will be made public on the first working day of January 2015

- 1.4 This pay policy is in addition to the data on pay and rewards for senior staff which is published separately in line with the Local Government Transparency Code 2014). It should be noted that some of the requirements to publish data under the Local Government Transparency code may differ from the data requirements of the Code of Practice and the Accounts and Audit Regulations and both are complied with as stated. The transparency information relevant to people is attached at Appendix B

2. Definition of officers covered by the Policy Statement

- 2.1 This policy statement covers the following posts, which are referred to as “Chief Officers” throughout the statement in line with the Localism Act. As YPO do not have a Statutory Chief Officer this definition is expanded to include YPO Directors:

- Managing Director

- Commercial Director
- Procurement & Supply Chain Director

Deputy Chief Officers (as defined in the Local Government and Housing Act 1989 as posts reporting to a Chief Officer (statutory or non-statutory) which in YPO are posts which are part of the Senior Leadership Team:

- Head of HR & People Support Services *
- Head of Logistics
- Head of Procurement Services
- Head of Trading
- Head of Supply Chain Operations
- Head of Sales and Marketing
- Head of Customer Experience
- Head of Finance
- Head of Business Change and IT

* This post is a Board level position and reports directly to the Managing Director but is not appointed at Chief Officer level

3. Policy on remunerating Chief Officers

- 3.1 The policy on remunerating Chief Officers is set out at schedule A at the end of this policy statement. It is to YPO's policy to establish a remuneration package for each officer post that is sufficient to attract and retain staff with the appropriate skills, knowledge, experience, abilities and qualities that are consistent with the requirements of the post in question at the relevant time.

4. Policy on remunerating the lowest paid in the workforce

- 4.1 YPO applies terms and conditions of employment that have been negotiated and agreed through appropriate collective bargaining mechanisms (national or local) or as a consequence of internal decisions, these are then incorporated into contracts of employment.
- 4.2 The lowest pay point in YPO (not including apprentices) is spinal column point 5 within Grade 1, this relates to an annual salary of £12,435 and can be expressed as an hourly rate of pay of £6.4453 This pay point and salary was determined by the pay scale for employees employed on Local Government Services Terms and Conditions from 1st April 2014. The pay rate is increased in accordance with any pay settlements which are reached through the National Joint Council for Local Government Services.
- 4.3 From the 1st April 2014 YPO implemented the living wage to pay a contractual supplement to YPO employees to a minimum of £7.65 per hour on base pay only but not on enhancements such as overtime. YPO did not seek accreditation to the living wage foundation and therefore the supplement will be reviewed annually when figures are released in November each year and a

decision taken at that point as to if the increases proposed should be adopted. There are currently 9 people at YPO in receipt of the living wage supplement.

The living wage supplement does not apply to apprentices, however we will continue to review apprentice pay rates on an annual basis.

5. Policy on the relationship between Chief Officer Remuneration and that of other staff

- 5.1 The highest paid salary in YPO is £121,210 which is the substantive salary of the Managing Director. The average salary in YPO (not including apprentices) is £23,383. The ratio between the two salaries, the 'pay multiple' is 1:5.2. The median salary is £18,634. The ratio between the highest and median salary points is 1:6.5

YPO does not have a policy on maintaining or reaching a specific 'pay multiple', however we are conscious of the need to ensure that the salary of the highest paid employee is not excessive and is consistent with the needs of the organisation as expressed in this policy statement.

- 5.2 YPO's approach to the payment of other staff is to pay that which needs to be paid to recruit and retain staff with the skills, knowledge, experience, abilities and qualities needed for the post in question at the relevant time (in accordance with an agreed job evaluation scheme), and to ensure that YPO meets any contractual requirements for staff including the application of any local or national collective agreements, regarding pay.

6. Policy on other aspects of Chief Officer Remuneration

- 6.1 Other aspects of Chief Officer remuneration that covered by this policy statement are defined as recruitment, pay increases, additions to pay, lease car, performance related pay, earn back, bonuses, termination payments, transparency and re-employment when in receipt of an LGPS pension or a redundancy/severance payment. These matters are addressed in Appendix A of this policy statement.

7. Approval of Salary Packages for Chief Officers (Directors)

- 7.1 YPO will ensure that any salary package for appointment at Director level will be considered by the appointments committee.
The salary package will be defined as base salary, any bonuses, fees, routinely payable allowances and benefits in kind that are due under the contract.
Salary packages for all other senior posts will be determined via the job evaluation process.

8. Flexibility to address recruitment issues for vacant posts

- 8.1 In the vast majority of circumstances the provisions of this policy will enable YPO to ensure that it can recruit effectively to any vacant post. There may be exceptional circumstances when there are recruitment difficulties for a particular post and where there is evidence that an element or elements of the remuneration package are not sufficient to secure an effective appointment. The appointments committee will have delegated powers to make decisions to increase the stated salary without referral to the full management committee.

9. Amendments to the policy

- 9.1 It is anticipated that this policy will not need to be amended during the period it covers (January 2015 – end December 2015), however if circumstances dictate that a change of policy is considered to be appropriate during the year then a revised draft policy will be presented to the Management Committee for consideration.

10. Policy for future years

- 10.1 This policy statement will be reviewed each year and will be presented to Management Committee in November each year for consideration in order to ensure that a policy is in place for YPO prior to the start of each financial year.

Pay Policy Statement – Appendix A

Recruitment

All posts will be advertised and appointed to at the appropriate approved salary for the post in question level unless there is good evidence that a successful appointment of a person with the required skills, knowledge, experience, abilities and qualities cannot be made without varying the remuneration package. In such circumstances a variation to the remuneration package is appropriate under YPO's policy and any variation will be approved through the appropriate decision making process. If the salary is to be over £100,000 then the appointments committee / JCC will have to approve the terms of the appointment

Lease Cars

YPO operate a lease car scheme that is governed by a lease car policy which defines the eligibility. On inception of this policy eligibility will be agreed on a case by case basis and not be automatic even though existing employees undertaking the same role have a car.

For a position to be deemed eligible it must comply with the following criteria:

1. The role requires regular use of a car and regular business travelling (with mileage in excess of 5000 miles per year).
2. Market conditions dictate high levels of competition and the inclusion of a car as part of the overall remuneration package is required to secure candidates in a competitive market. This is a criterion that must be agreed at Board level and will be determined via a business case supported by market factor evidence and considered on a case by case basis.

Pay Increases

YPO will apply any pay increases that are agreed by relevant national negotiating bodies and/or any pay increases that are agreed through local negotiations. YPO will also apply any pay increases that are as a result of decisions to significantly increase the duties and responsibilities of the post in question beyond the normal flexing of duties and responsibilities that are expected in senior posts.

Additions to pay

YPO would not make additional payments beyond those specified in the contract of employment, other than the Living wage supplement for those earning less than £7.65 (as at 1st April 2014)

Performance Related Pay

YPO does not operate a performance related pay system as it believes that it has sufficiently strong performance management arrangements in place to ensure high performance from its senior officers. Any areas of under-performance are addressed rigorously.

Earn-Back (Withholding an element of base pay related to performance)

YPO does not operate an earn-back pay system as it believes that it has sufficiently strong performance management arrangements in place to ensure high performance from its senior officers. Any areas of under-performance are addressed rigorously.

Bonuses

YPO does not pay bonus payments to officers

Termination payments

YPO applies its normal redundancy payments arrangements to senior officers and does not have separate provisions for senior officers (although on occasion there may be circumstances, as with any member of staff, where a negotiated agreement is made with an individual). YPO also applies the appropriate Pensions regulations when they apply. YPO has agreed policies in place on how it will apply any discretionary powers it has under Pensions regulations. Any costs that are incurred by YPO regarding senior officers and their termination payments are published in the authority accounts as required under the Accounts and Audit (England) Regulations 2011

Transparency

YPO meets its requirements under the Localism Act and the Local Government Transparency Code 2014 in order to ensure that it is open and transparent regarding senior officer remuneration.

Re-employment of staff in receipt of an LGPS Pension or a redundancy/severance payment

YPO is under a statutory duty to appoint on merit and has to ensure that it complies with all appropriate employment and equalities legislation. YPO will always seek to appoint the best available candidate to a post who has the skills, knowledge, experience, abilities and qualities needed for the post. YPO will therefore consider all applications for candidates to try to ensure the best available candidate is appointed. If a candidate is a former employee in receipt of an LGPS pension or a redundancy payment this will not rule them out from being re-employed by YPO.

Clearly where a former employee left YPO on redundancy terms then the old post has been deleted and the individual cannot return to the post as it will not exist. YPO

will apply the provisions of the Redundancy Payments Modification Order regarding the recovery of redundancy payments if this is relevant. Pensions Regulations also have provisions to reduce pension payments in certain circumstances to those who return to work within the local government service.

Election Fees

Section 68 Electoral Administration Act 2006 amended S29 RPA 1983 details the expenses that can be paid to the returning officer, and the Charges Order specifies what constitutes a Returning Officer's services.

This role is undertaken by officers at Wakefield and therefore does not apply to any senior officer at YPO

Expenses

Travel and other expenses are reimbursed through normal procedures and are the same for all officers regardless of grade or seniority.

Honoraria and Ex Gratia Payments arrangements would be in accordance with relevant terms and conditions and relevant legislation

Pay Policy Statement – Appendix B

Summary of staff data requirements of the Local Government Transparency Code

The revised code outlines information that each Local Authority must publish and additional information that is recommended for publication, following the principle that all data held and managed by local authorities should be made available unless there are specific sensitivities (e.g. protecting vulnerable people, commercial or operational considerations)

The information concerning staff that must be published is outlined below::

Organisation Chart

- Publish an organisation chart covering staff in the top three levels of the organisation. The following information must be included for each member of staff included in the chart:
 - grade
 - job title
 - local authority department and team
 - whether permanent or temporary staff
 - contact details
 - salary in £5,000 brackets, consistent with the details published for Senior Salaries
 - salary ceiling (the maximum salary for the grade)

Senior Salaries

- Local authorities must place a link on their website to the following data or must place the data itself on its website:
- the number of employees whose remuneration in that year was at least £50,000 in brackets of £5,000
- details of remuneration and job title of certain senior employees whose salary is at least £50,000
- employees whose salaries are £150,000 or more must also be identified by name.
- a list of responsibilities (for example, the services and functions they are responsible for, budget held and number of staff) and details of bonuses and 'benefits in kind',

Pay Multiple

- Publish the pay multiple on their website defined as the ratio between the highest paid salary and the median salary of the whole of the authority's workforce. The measure must:
- cover all elements of remuneration that can be valued (eg. All taxable earnings for the given year, including base salary, variable pay, bonuses, allowances and the cash value of any benefits-in-kind) use the median

earnings figure as the denominator, which should be that of all employees of the local authority on a fixed date each year, coinciding with reporting at the end of the financial year

- exclude changes in pension benefits, which due to their variety and complexity cannot be accurately included in a pay multiple disclosure.

Trade Union Facility Time

Publish the following information:

- total number (absolute number and full time equivalent) of staff who are union representatives (including general, learning and health and safety representatives)
- total number (absolute number and full time equivalent) of union representatives who devote at least 50 per cent of their time to union duties
- names of all trade unions represented in the local authority
- a basic estimate of spending on unions as a percentage of the total pay bill (calculated as the number of full time equivalent days spent on union activities multiplied by the average salary divided by the total pay bill).

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YPO
MANAGEMENT COMMITTEE
TO BE HELD ON
28TH NOVEMBER 2014

TITL

E: RISK MANAGEMENT PROCESS**REPORT OF: MANAGING DIRECTOR****1 PURPOSE OF REPORT**

- 1.1. To seek approval of the attached Risk Management Policy and Strategic Framework.

2 BACKGROUND INFORMATION

- 2.1. Risk can be defined as the effect of uncertainty on objectives. YPO faces a range of risks affecting the achievement of its objectives. Risk Management is the process by which risks are identified, evaluated and controlled and is a crucial element of good corporate governance.
- 2.2. YPO recognises that it has a responsibility to manage risk and supports a structured approach to this by adopting, implementing and maintaining a risk management strategy. In this way YPO will better achieve its corporate objectives and enhance the value of the services it provides to its stakeholders.
- 2.3. YPO's Risk Management Policy and Strategic Framework provide a framework within which YPO will manage risk. The document has been reviewed and the key changes can be summarised below:
- Inclusion of a statement of the Organisation's risk appetite (section 5.3). Risk appetite is the amount and type of risk that the organisation is prepared to seek, accept or tolerate.
 - The risk assessment criteria (Section 5.2.3) has been amended from a 5x5 matrix to a more simpler 3x3 matrix consisting of low, medium and high ratings.
 - The relationship between the risks identified in the business planning process, Business Change Programme and other projects and the links between these risks and the operational and strategic risk registers has been formally documented (Section 6, 7 & 8).
 - The risk management process has been updated to reflect current best practice (Section 5).

2.4. The Risk Management Policy and Strategic Framework is attached in Appendix 1.

3 RISK IMPLICATIONS

3.1. This is an update on a procedure supporting the governance of the organisation. Thus accepting the report does not in itself pose any risk to the organisation's well-being.

4 RECOMMENDATION

4.1. The Audit Sub Committee have reviewed this report and recommended that the Management Committee approve the Risk Management Policy and Strategic Framework.

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APPENDIX (CES):

Appendix 1 - Risk Management Policy and Strategic Framework

Risk Management Policy & Strategic Framework

Document Control Page

Document Type	Policy	
Document Ownership	Corporate Governance	
Title of Document	Risk Management Policy and Strategic Framework	
Status	DRAFT	
Reference number	Pol/FN004/v2.3	
Controlled by	Managing Director	
Created/ reviewed by / date:	Reviewed by Risk Audit and Assurance Officer	
Agreed by / date:	Board, Audit Sub Committee and Management Committee	
Checked for compliance with contract standing orders and financial procedures / date:		
Agreed with Unison / date:	N/A	
Maintained by	Risk Audit & Assurance Officer	
Publication date		
Next Review date		
Current Version	V2	
Distribution	Public / Website	
Replaces document		

Once printed, this document is uncontrolled. Please refer to the current version on the Intranet.

Contents

Section 1 - Background

Section 2 - Risk Management Policy Statement

Section 3 - Risk Management Strategic Framework

Section 4 - Responsibility for Risk Management

Section 5 - The Approach to Risk Management

Section 6 - The Risk Management Process

Section 7 - Resourcing

Section 8 – Monitoring and Reporting Arrangements

Section 9 – Implementation and Policy Review

1 Background

1.1 The business undertaken by YPO represents an environment within which there are substantial risks of a strategic and operational nature. Risk Management is the process by which risks are identified, evaluated and controlled and is a crucial element of good corporate governance. The Policy Statement and Strategic Framework contained within this document, provide a framework within which YPO will manage risk.

2 Risk Management Policy Statement

2.1 YPO recognises that it has a responsibility to manage risk and supports a structured approach to this by adopting, implementing and maintaining a risk management strategy. In this way YPO will better achieve its corporate objectives and enhance the value of the services it provides to its stakeholders. Good risk management will help identify and deal with the key strategic risks facing an organisation in the pursuit of its goals.

2.2 The Risk Management Policy of YPO is fully committed to the effective management of risk and adoption of best practices in the identification, evaluation, control and mitigation of risk in order to:

- Raise the awareness of the need for risk management.
- Integrate risk management into the operational and cultural development of the organisation.
- Demonstrate best practice in risk management.
- Eliminate or reduce risk to an acceptable level.
- Anticipate, plan for and respond to changing requirements.
- Prevent injury and damage and reduce the costs associated with the failure to deal effectively with risk.

2.3 By adopting this Risk Management Policy & Strategic Framework, YPO recognises risk management as a key function in helping to ensure it achieves its overall aims and objectives. Through understanding the nature of risks, YPO views risk management as an opportunity for further improvement and enhanced performance, as opposed to risk management being treated as a threat to the organisation. Performance management and financial management do not sit in isolation to risk management as they can be directly affected by strategic and operational risks; hence, it is a coordinated approach that ensures YPO achieves its aims and objectives.

3 Risk Management Strategic Framework

3.1 Risk Management forms a key element of YPO's Governance Framework, which is an integrated framework of systems and processes to effectively manage and monitor

assurance on the adequacy and effectiveness of risks and controls. Identifying and managing risk is essential to effectively managing performance, as well as planning and shaping strategic planning.

3.2 The Risk Management Strategic Framework sets out the key issues to be addressed in achieving the requirements of YPO's Risk Management Policy. The main aspects covered in the framework are:

- Responsibility for Risk Management.
- Approach and Resourcing for Risk Management.
- Monitoring and Reporting Arrangements.
- Implementation of Policy and Review.

3.3 At the strategic level, YPO shall foster a commitment to a risk management philosophy by ensuring:

- The support of Members and Senior Management is secured.
- Consultative processes across the organisation are used to develop and enhance policies, procedures and guidelines.
- People are encouraged and recognised for identifying risks that are not being managed and for identifying opportunities for improvement.
- A blame culture is avoided, with Officers and Members recognising that minor errors will occur and that lessons will be learnt from them.
- Action is taken to align individual and organisational expectations for risk management.
- Open communication processes are adopted to obtain and share information, in particular to avoid reoccurrence of problems.
- Action is taken to ensure that roles and responsibilities in risk management are understood and embedded in employee work plans.
- Strategic and operational risks are identified and considered and logged in a Risk Register.

4 Responsibility for Risk Management

4.1 Responsibility for effective Risk Management rests with all employees and with the Elected Members of YPO. Members have ultimate responsibility for Risk Management because risks threaten the achievement of organisational aims and objectives, which could ultimately affect YPO's ability to deliver and sustain credible operations. Members have a responsibility for understanding the strategic risks that YPO faces and to decide how these risks should be managed.

4.2 To deliver effective Risk Management, the following roles will be performed:

Management Committee

- a) To exercise leadership.
- b) To consider and adopt current and future Risk Management policies and strategies aiming for continual improvement.
- c) To acknowledge Risk Management as a strategic and operational tool to further YPO's objectives in line with the organisations strategy.
- d) To promote the appropriate culture and attitude essential for successful implementation and robust, ongoing Risk Management processes.
- e) To determine risk reporting arrangements.

Audit Sub-Committee

- a) Risk Management to be a standing agenda item in line with its terms of reference.
- b) To monitor and challenge the implementation of YPO's Risk Management Policy and Strategic Framework and the content of the organisations Strategic Risk Register.
- c) To scrutinise, where appropriate, individual strategic risks at its meetings to assess the control mechanisms and action plans in place to manage such risks.

Directors / Board

- a) To ensure YPO manages all risk effectively.
- b) To identify and consider strategic risks and take ownership of the Strategic Risk Register.
- c) To demonstrate effective management of risks within their individual areas of responsibility and provide assurance to Members when required.
- d) To communicate and involve employees in Risk Management and in Risk Management Planning as part of the strategic planning process.
- e) To receive and review quarterly reports on Risk Management.
- f) To ensure that YPO's activities, policies and procedures are conducted in a manner which considers the risks associated with such actions.

Senior Management Team

- a) To champion the management of risks and pro-actively work to ensure the overall Risk Management strategy is achieved.
- b) To demonstrate effective management of risks within their individual areas of responsibility and report to their respective Director.
- c) To identify and consider operational risks and take ownership of the Operational Risk Register for their respective area.
- d) To ensure that YPO's activities, policies and procedures are conducted in a manner which considers the risks associated with such actions.

WMDC Internal Audit

WMDC Internal Audit plays an important part in YPO's arrangements for achieving effective Risk Management through:

- a) Challenging and providing assurance on Risk Management processes, risk identification, evaluation, and the effectiveness of controls through a planned programme of risk based audit reviews determined within a formal risk based planning process.
- b) Provide ongoing support / direction and objective challenge on the extent to which risks are being managed and the effectiveness of controls.

Managing Director or delegated Officer

The role of the Managing Director or delegated Officer is to monitor and challenge the implementation of the policy to ensure effective Risk Management is delivered as well as:

- a) Provide professional support, advice and guidance across YPO on all aspects of Risk Management.
- b) Ensure there is an integrated and consistent approach to the management of risks, including avoiding duplication of effort, through close working relationships with all relevant staff.
- c) Encourage managers and others to manage risk effectively.
- d) Produce quarterly reports to Board and report to Audit Sub-Committee as appropriate in relation to the Strategic Risk Register.

All employees

- a) To manage risk effectively in their job and report opportunities / risks to their Manager.
- b) To abide by policies and procedures forming YPO's Governance Arrangements.
- c) To help to identify, and minimise risks within their immediate area of control or raise the issue with a line manager or others who can take action to manage the risk.

Collective Responsibility

It is the responsibility of every Member and Officer to ensure that YPO's activities, policies and procedures are conducted in a manner which considers the risks associated with such actions.

It is the responsibility of all to help to identify, and minimise risks within their immediate area of control or raise the issue with a line manager or others who can take action to manage the risk.

5 The Risk Management Process

5.1 The Risk Management process is fundamental to the successful delivery of YPO’s operations. The process, as shown in Diagram 1, ensures that risks are identified, analysed and evaluated and where necessary treated through mitigating actions. Relevant stakeholders are consulted with at each stage and the process is under a constant cycle of monitoring and review.

5.1 YPO’s approach to Risk Management requires that risks should be systematically identified and managed in the most cost-effective way using the resources available. This includes both strategic and operational risks as defined below:

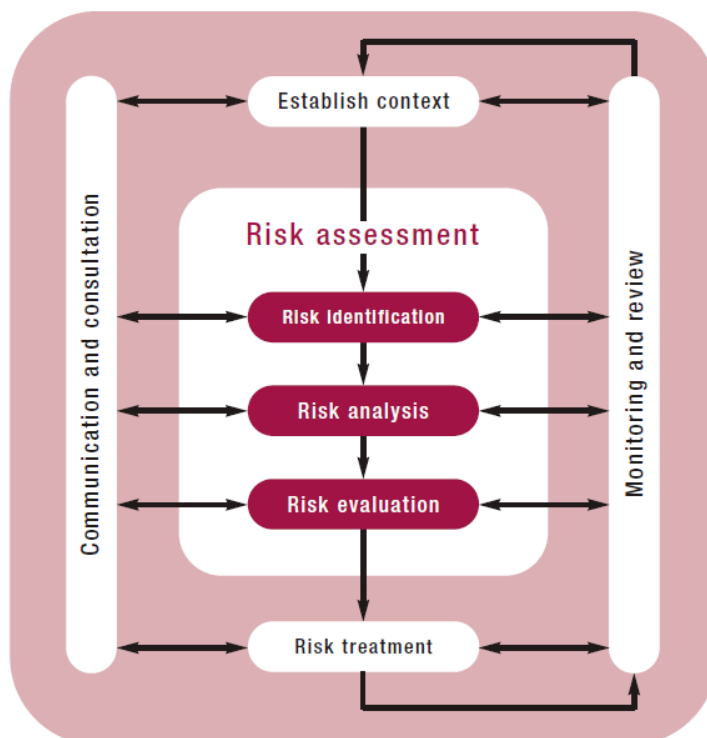
Strategic Risk is defined as:

“Risks that need to be taken into account in judgements about the medium and long term goals and objectives of the Organisation”

Operational Risk is defined as:

“Risks that managers and employees will encounter in the daily course of their work”

Diagram 1 Risk Management Process (Based on ISO31000 Risk Management)



5.2 Risk Identification, Analysis & Evaluation

5.2.1 Risk identification establishes the exposure of the organisation to risk and uncertainty. The Board and Senior Management in conjunction with their teams identify risks that could adversely affect the ability of YPO to meet its objectives and record these in a Risk Register.

5.2.2 Risk assessment is the overall process of risk analysis and risk evaluation. Risk analysis is the systematic use of information to identify sources of risks (processes or activities having a potential for a consequence) and to estimate the likelihood and impact of that risk should it occur. Risk analysis provides a basis for risk evaluation, risk treatment and risk acceptance. Risk evaluation is the process of comparing the estimated risk against set risk criteria to determine the significance of the risk.

5.2.3 YPO utilises the following risk assessment criteria:

Risk Assessment Matrix

Risk Score: Low  Medium  High 

		LIKELIHOOD		
		High - 3	Medium - 2	Low - 1
LIKELIHOOD	High - 3	Medium Risk Risk Score - 3	High Risk Risk Score - 6	High Risk Risk Score - 9
	Medium - 2	Low Risk Risk Score - 2	Medium Risk Risk Score - 4	High Risk Risk Score - 6
	Low - 1	Low Risk Risk Score - 1	Low Risk Risk Score - 2	Medium Risk Risk Score - 3
		Low - 1	Medium - 2	High - 3
IMPACT				

- 5.2.4 Identified risks will be prioritised based on their overall risk rating with priority given to those with the highest likelihood and impact.
- 5.2.5 In order to effectively identify all of the risks facing an organisation a structure for risk identification is required. A formalised risk classification system allows identification of similar risks within YPO and enables identification of who is responsible for setting strategy for the management of related or similar risks. It also allows better identification of risk appetite and total risk exposure.
- 5.2.6 YPO utilises the risk classification system known as FIRM for its operational and strategic risk registers. FIRM stands for financial, infrastructure, reputational and marketplace. The four headings of FIRM offer a classification system for the risks to the key dependencies in the organisation; it also reflects the idea that every organisation should be concerned about its finances, infrastructure, reputation and commercial success.
- 5.2.7 The FIRM system also takes into account internal risks with financial and infrastructure risks being considered as internal and reputational and marketplace risks being external to the organisation.

5.2.8 The FIRM headings are summarised below:

FINANCIAL - 'Risks that can impact the way in which money is managed and profitability is achieved'.

INFRASTRUCTURE – 'Risks that will impact the level of efficiency and dysfunction within the core processes'.

REPUTATIONAL – 'Risks that will impact desire of customers to deal or trade and level of customer retention'.

MARKETPLACE – 'Risks that will impact the level of customer trade or expenditure and customer retention'.

5.2.9 Officers carrying out risk assessment and recording risks in the organisations risk register should consider the risks associated with the categories above and record the risk alongside the risk classification in the relevant risk register.

5.3 Risk Appetite

5.3.1 Risk appetite is the amount and type of risk that the organisation is prepared to seek, accept or tolerate.

5.3.2 The Organisation operates within a variable overall risk range. The Organisation's lowest risk appetite relates to health and safety and legal compliance objectives. The organisation is willing to take calculated commercial risks with a higher risk appetite towards its strategic and operational objectives. The organisation aims to reduce to reasonably practicable levels the risks originating from health and safety and meeting our legal obligations and these will take priority over other business objectives.

5.4 Risk Treatment

5.4.1 The range of risk response treatments available to the organisation include:

Tolerate – Accept / retain the risk. The exposure may be tolerable without any further action being taken. Even if it is not tolerable, the ability to do anything about some risks may be limited, or the cost of taking any action may be disproportionate to the potential benefit gained.

Treat – Control / reduce the risk. A large number of risks will be addressed in this way. The purpose of treatment is that, whilst continuing within the organisation with the activity giving rise to the risk, action (control) is taken to reduce the risk to an acceptable level.

Transfer – Insure / contract out the risk. For some risks the best response may be to transfer them. This might be done by conventional insurance, or it might be done by paying a third party to take the risk in another way.

Terminate – Avoid / eliminate the risk. Some risks will only be treatable, or containable to acceptable levels, by terminating the activity.

5.5 Risk Monitoring & Review

5.5.1 Operational and Strategic Risk Registers are subject to quarterly review by Board and SMT these will show a clear link to strategic and operational objectives. Ongoing monitoring and reporting of the Strategic Risk Register will be provided to the Audit Sub-Committee to gain assurances that risks are being effectively managed.

6 Business Planning Approach to Risk

6.1 As part of the annual Business planning process the Senior Management Team are asked to compile departmental business plans, the aim is to highlight key objectives and any associated risks which may threaten the achievement of key objectives. Not all risks are included but just those specifically identified as a significant threat to specific objectives. These risks are also included in the Risk Register of the Senior

Manager / area along with details of any mitigating actions/controls. These risks are subject to ongoing review by management in line with the risk management process.

7 Business Change Programme Approach to Risk

- 7.1 The Projects in the Business Change Programme aspire to use the Prince2 risk management procedure. Each Project in the Programme has their own Risks Logs which they manage as part of the Project. The Programme has its own Risk Log; many of the Risks on the Programme Log have derived from the Project Risk Logs.
- 7.2 The Project Highlight Reports are used as the formal way of escalating significant Project Risks to Project Board (Sponsor) and the Programme Highlight Report is used as the formal way of escalating significant Programme Risks to the monthly Programme Board which is attended by all Project Sponsors. The Programme Board is the formal channel and link / escalation of Project and Programme Risks to the Strategic Risk Register.
- 7.3 In addition to the above the Programme has created a Project Management Guide Book and Approach to Projects at YPO, with a set of Templates. There are several mechanisms and management products that enable Project and Programme Risks to be identified, assessed, planned, implemented and communicated upon such as the Business Case, Lessons Learned Log, Programme Team Meetings with the Project Managers and the Programme

8 Projects outside the Business Change Programme

- 8.1 Any projects outside the Business Change Programme will be supported by a Business Case detailing the key risks. The project lead will take ownership of these risks and escalate to the Operational and Strategic Risk Registers where necessary.

9 Resourcing

- 9.1 All employees are responsible for considering risk implications within their job and report opportunities / risks to their Manager.
- 9.2 YPO Senior Management will provide the necessary staffing resources for the effective implementation of this policy and associated processes and will promote a culture to ensure Risk Management is fully embedded within the Organisation.

10 Monitoring and Reporting Arrangements

- 10.1 Overall responsibility for monitoring adherence to YPO's Risk Management Policy rests with the Managing Director, or delegated Officer.
- 10.2 Ongoing monitoring and reporting of the Strategic Risk Register will be provided to

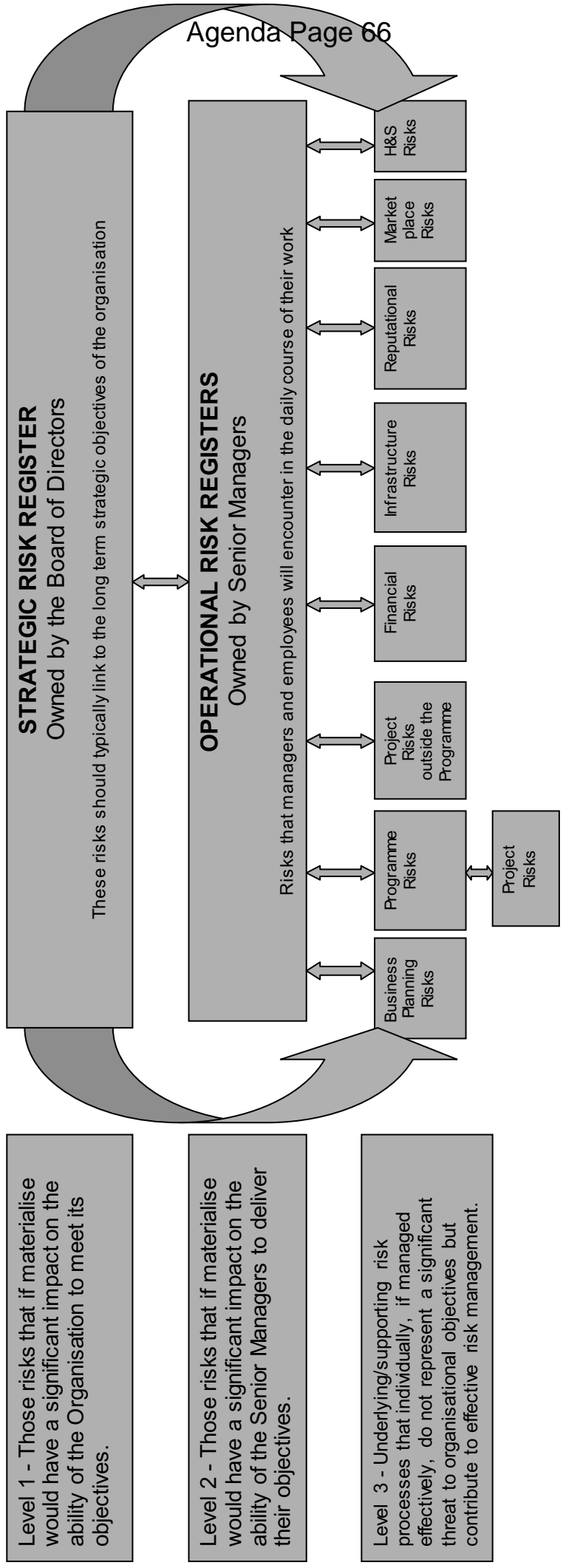
the Audit Sub-Committee to gain assurances that risks are being effectively managed. Reporting of any risks which the YPO Board of Directors believes to be sufficiently important or catastrophic in nature that Management Committee Members need to be aware of will be done so under the existing emergency reporting procedures.

10.3 Internal Audit progress reports are presented to Board and Audit Sub-Committee at least annually highlighting assurances given on all levels of risk management including any specific problem areas.

11 Implementation and Policy Review

11.1 Once approved by the Management Committee this Policy and Strategic Framework will be published within YPO and used as the basis from which to embed risk management within the Organisation. The Policy will be reviewed annually with any significant changes highlighted to the Management Committee for approval.

APPENDIX 1 - RISK REGISTER AND ESCALATION FLOW DIAGRAM





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of Part 1 of Schedule 12A of the Local Government Act 1972.

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