

YPO ANNUAL GOVERNANCE STATEMENT 2014

1. SCOPE OF RESPONSIBILITY

- 1.1. YPO is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. YPO also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2. In discharging this overall responsibility, YPO is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3. YPO has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of YPO's Code is on our website at www.ypo.co.uk or can be obtained by telephoning 01924 834984.
- 1.4. This statement explains how YPO has complied with the Code and also meets the requirements of Accounts and Audit (England) Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an Annual Governance Statement.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- 2.1. The governance framework comprises the systems and processes, culture and values by which YPO is directed and controlled and the activities through which it accounts to, engages with and leads its communities. It enables YPO to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.
- 2.2. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of YPO's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.
- 2.3. The governance framework has been in place at YPO for the year ended 31st December 2014 and up to the date of approval of the statement of accounts.

3. THE GOVERNANCE FRAMEWORK

- 3.1. There are six core principles that good governance is based on:
 1. Focusing on the purpose of the Organisation and owning authorities and on outcomes for its customers and creating and implementing a vision for the Organisation.

2. Members and Officers working together to achieve a common purpose with clearly defined functions and roles.
3. Promoting values for the Organisation and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
5. Developing the capacity and capability of Members and Officers to be effective.
6. Engaging with owning authorities, customers, suppliers and other stakeholders to ensure robust public accountability.

3.2. The following section describes the key elements of the systems and processes that comprise YPO's governance arrangements which were in place during 2014, set out against the six core principles identified in paragraph above.

3.3. Core Principle 1 - Focusing on the purpose of the Organisation and owning authorities and on outcomes for its customers and creating and implementing a vision for the Organisation.

3.3.1. The purpose and vision for YPO is set out in the Organisation's strategic plan which aims to deliver effective efficient and economical arrangements for the supply of goods, materials and services by: securing the best terms for purchasing, storing and distributing items in common use; providing advice on standards and specifications and providing professional technical expertise. This is stated as:

"That every single public organisation achieves the best possible value for money when procuring its goods and services".

The vision is integral to delivery of the Organisation's development and the continued transformation to meet current and future needs and expectations. The core principles identified as being at the heart of everything YPO does are:

- I. Choice: We believe in providing customers with an informed choice at all times. To do this we must understand their needs, the options available in the market and the best possible way of matching the two. If appropriate choice does not exist, we will develop new ways of delivering best value.
- II. Effectiveness: Everything we do must be effective, and provide better value to our customers. Nearly 40 years' experience helps us know what's effective and what's not, and we ensure everything we do brings measurable results.
- III. Collaboration: Partnership, not ownership. We always work alongside those we help, adapting to proactively meet their needs. Our role is to provide expertise and knowledge to ensure the public sector achieves the best possible value.
- IV. Professionalism: As experts, we must provide a high quality, reliable service. We believe in the highest ethical standards, the need for constant development of our knowledge and the need to constantly seek better value for the public sector.

3.3.2. YPO's strategic objectives are reviewed annually and are supported by the production of an annual business plan and budget linked to the vision and core values which detail the aims, objectives and priorities of the Organisation and communicates the planned activities. 2014 was the final year of the existing three-year strategy and a new strategy is in place to take YPO forward into 2015.

3.3.3. YPO communicates its financial position, performance and achievements through the publication of an Annual Report and Statement of Accounts.

3.3.4. YPO has obtained ISO14001 (Environmental Management Systems) which aids in measuring and managing the Organisation's environmental impact and aspects.

3.3.5. YPO ensures that customers receive a high quality of service through the establishment and continuous monitoring of quality key performance indicators and by conducting an annual customer satisfaction survey.

3.3.6. YPO makes best use of resources to ensure customers receive excellent value for money, by establishing price benchmarking for key product categories at 'buying' price level and by establishing effective Contract Standing Orders and Financial Procedure Rules.

3.3.7. YPO works in partnership with other public bodies to deliver collaborative frameworks. These are underpinned by commercial agreements for each framework which formalises our working relationships.

3.4. Core Principle 2 - Members and Officers working together to achieve a common purpose with clearly defined functions and roles.

3.4.1. The Management Committee, which consists of representatives from each of the thirteen founder authorities, governs YPO policy and decision making arrangements and reflects openness, accountability and transparency. Specific procedural rules, protocols and policies are in place to govern committee functions and delegated authority. The Management Committee and all Sub-Committees have clear terms of reference that are reviewed on a regular basis.

3.4.2. A Scheme of Delegation is in place which enables the Board of Directors of YPO to make decisions on behalf of the Management Committee, except for certain specific matters which are reserved for the Management Committee, Sub-Committees or the statutory officers of YPO.

3.4.3. The Statutory Finance (S151) Officer of the Lead Authority is responsible to the Management Committee for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.

3.4.4. The Managing Director has a clear role, responsibility and duty as specified in the Scheme of Delegation and the Finance Procedure Rules for day to day financial management and adherence.

3.4.5. The Statutory Monitoring Officer of the Lead Authority is responsible to the Management Committee for ensuring that agreed procedures are followed and that all applicable Statutes and Regulations are complied with. Members of the YPO Board of Directors have clear roles, responsibilities and duties as specified in the Scheme of Delegation for day to day governance.

3.4.6. YPO has service level agreements in place with the Lead Authority covering the expected service delivery for HR, Committee Services, Finance, Internal Audit and Transport Services these will be reviewed during 2015 where appropriate.

3.4.7. The YPO Board have regular meetings with the Strategic Officers Group (which is comprised of senior officers from member authorities), the Section 151 Officer and Monitoring Officer of the Lead Authority.

3.4.8. All YPO employees have conditions of employment and job descriptions which set out their roles and responsibilities and are subject to the Organisation's pay and grading structure.

3.5. Core Principle 3 – Promoting values for the Organisation and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

- 3.5.1. YPO makes regular reports to its Management and sub-committees on issues of governance and conduct. Overall responsibility for governance lies with the Management Committee. However, powers are delegated to the Audit Sub-Committee to consider governance issues and provide assurances to support this statement, as well as to the Scrutiny Sub-Committee to review policy formulation and have call in powers to consider the appropriateness of executive decisions.
- 3.5.2. YPO has adopted the process of completing an annual assessment of governance arrangements and producing an Assurance Statement based on this assessment which is signed off by the Board of Directors.
- 3.5.3. YPO has developed the following policies which are applicable to all Officers and are reviewed and updated as appropriate. These are based on the principles of good governance, shared values, expected standards of conduct and ethical principles:
- Anti-Fraud and Bribery Policy and Fraud Response Plan
 - Business Continuity Policy
 - Code of Corporate Governance
 - Complaints Procedure
 - Standing Orders for Contracts and Financial Procedure Rules
 - Recruitment and Selection Policy and Procedures
 - Disciplinary Procedures
 - Whistleblowing Code of Practice
 - Employee Code of Conduct
 - Register of Employee Interests Policy
 - Gift and Hospitality Policy
 - Risk Management Policy and Strategic Framework
 - Access to Information Policy
 - Data Protection Policy
 - Equality and Diversity Policy
 - Health and Safety Policy
 - Sustainable Procurement Policy

Members are also required to comply with the policies of their own authority.

- 3.5.4. YPO is committed to the highest possible standards of openness, probity and accountability. In line with this commitment YPO operates a Complaints Procedure and a Whistleblowing Code of Practice which enables anyone with concerns about any aspects of YPO's business to come forward and voice those concerns.

3.6. Core Principle 4 – Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

- 3.6.1. Officers and Members charged with decision-making are provided with relevant data and training in relation to technical issues, legal and financial issues and risk.
- 3.6.2. Decision-making processes are transparent and result in relevant and recorded actions; timely decisions are made to ensure priorities are met. Forthcoming significant decisions are included in the Business Plan and the Scheme of Delegation to ensure that routine decisions are made at the right level, with Committee focusing on policy development and strategic issues. Scrutiny processes are robust and effective and include independent challenge through Elected Members.
- 3.6.3. YPO's approach to strategic and operational risk management is robust, with Elected Members playing a key role and receiving training from senior officers. Audit Sub-Committee Members receive bespoke training on finance, audit and governance. Risk is reviewed regularly as part of the Audit Sub-Committee agenda and Management

Committee review the Organisation's strategic risks as part of the business planning process.

3.6.4. Risk management arrangements centre on YPO's Risk Management Policy and Strategic Framework. Senior Management is charged with responsibility for implementing the appropriate actions, maintenance of the Organisation's risk registers and regular review of risks.

3.7. Core Principle 5 - Developing the capacity and capability of Members and Officers to be effective.

3.7.1. YPO considers Member and Officer training to be critical to further their future development. YPO has in place a development programme that covers relevant topics and elements of the Member programme are aligned to the Organisation's learning and development plan.

3.7.2. All Members and Officers are subject to an induction programme and are required to continuously identify training needs relevant to their role.

3.7.3. Officers have an annual appraisal that includes performance against objectives and competencies and reviewing and updating personal development plans.

3.7.4. YPO has in place an apprenticeship scheme which encourages new talent at YPO. Job vacancies are advertised on the YPO website.

3.8. Core Principle 6 - Engaging with owning authorities, customers, suppliers and other stakeholders to ensure robust public accountability.

3.8.1. YPO effectively engages with customers, suppliers, stakeholders and local people through two-way communication and feedback channels, including key customer and supplier forums, customer satisfaction surveys, category events and procurement group meetings with owning authorities.

3.8.2. YPO Committee Meetings are held in public with report items considered in private only where appropriate to do so in line with relevant legislation.

3.8.3. YPO publishes an Annual Report and Statement of Accounts and the Independent Director's Report which provide information on the Organisation's vision, strategy, plans, financial position, achievements and performance.

3.8.4. YPO takes an active and planned approach to meet its responsibility to employees by developing clear and effective channels of communication including regular organisation-wide updates, team and group briefings and regular discussions with Trade Unions.

3.8.5. YPO makes information routinely available on its website and publishes a Guide to Information and Access to Information Policy detailing the information it makes available and its approach to Transparency and Freedom of Information.

4. REVIEW OF EFFECTIVENESS

4.1. YPO has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the organisation who have responsibility for the development and maintenance of the governance environment, the head of internal audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates. Maintaining and

reviewing the effectiveness of the system of governance at YPO was achieved through the following:

- 4.1.1. Wakefield Council's Internal Audit team is responsible for providing an independent and objective opinion on the control environment within YPO. Their audit plan and subsequent findings are reported to the Directors of YPO, the Management Committee and the Audit Sub-Committee.

Wakefield Council Internal Audit's overall opinion on the systems of internal control at YPO during 2014 is as follows:

"From the work undertaken by Internal Audit during 2014, key controls were found to be adequate to manage associated risks to the required level, with no significant errors, losses or omissions identified. Senior Management has continued to strengthen overall governance arrangements throughout the year, including implementing audit recommendations to improve any areas of control weakness identified from individual Internal Audit reviews. Consequently there are no new key control improvements arising from Internal Audit work that require inclusion in Section 5 of the 2014 AGS".

- 4.1.2. In addition to reviews of effectiveness by Wakefield Council's Internal Audit, YPO is also subject to an annual review by external auditors. YPO's external auditors are KPMG.

In March 2014 KPMG issued a report to those charged with governance (ISA260) which included a Value for Money Opinion and concluded that the Organisation has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

In April 2014 KPMG issued an unqualified opinion on YPO's 2013 Financial Statements. They also confirmed there were no matters to report in respect of their review of the Annual Governance Statement for compliance with the 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

- 4.1.3. In 2014 the Management Committee received and approved a number of reports and policies along with agreeing the new three-year strategy, 2015 business plan and budget. Audit Sub-Committee, Executive Sub-Committee and the Scrutiny Sub-Committee met regularly throughout the year to gain further assurances and to seek clarification on specific areas where necessary. The Members' Joint Consultative Committee (JCC) also met regularly throughout the year to discuss employee related topics.

- 4.1.4. The Organisation held regular meetings with the Statutory Monitoring Officer (Wakefield Council) to ensure compliance with legal requirements and to assist in the effective working relationship between YPO and the Lead Authority.

- 4.1.5. The Strategic and Operational Risk Registers were regularly updated throughout the year to ensure they accurately reflected the risks faced by the organisation and quarterly reports were issued on this subject to both Board and Audit Sub-Committee. The Organisation has in place an Anti-Fraud and Bribery risk assessment which is reviewed regularly.

- 4.1.6. A Health and Safety Annual Improvement Plan was agreed at a Health and Safety Committee meeting in 2014. Updates as to the progress made against the plan were provided to the Health and Safety Committee monthly of which two members of the Board attend.

- 4.1.7. The Member and Officer training programme was carried out throughout 2014. All Member training was timetabled following consultation with the Chair of the appropriate Sub-Committee and was delivered by experts in the field. The topics included Business

Planning, Procurement Processes, Risk Management, Project Management at YPO, Change Management, Financial Statements, Employment Law, and External and Internal Audit Relationship. The training has been well received and is timetabled until June 2015. Alongside this a modular programme on various critical people management subjects was delivered by ACAS with several sessions planned in for 2015. YPO has also embarked on a journey which underpins our Customer Connected Strategy when it became a member of the Institute of Customer Services. 104 employees have completed the First Impressions course and 16 Senior Managers completed the Service Management course. There are 120 employees to complete the First impressions course during 2015.

4.1.8. YPO Members are required to comply with the Code of Conduct for their Member Authority; we are unaware of any breaches of this Code by YPO Members.

4.1.9. As part of the review of overall effectiveness, in December 2014 the Board of Directors for YPO completed a self-assessment questionnaire and assurance statement to identify any deficiencies in governance arrangements so that these if identified could be included in the Annual Governance Statement along with suitable improvement actions.

4.1.10. We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Board of Directors and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

5. SIGNIFICANT GOVERNANCE ISSUES

5.1. In considering the significant internal control issues contained within the 2013 Annual Governance Statement the following enhancements have been made during 2014.

Key Improvement Area	Core Principle	Supporting Principle	Lead Officer	Update on Position	Carry Forward for 2015	Reference
AGS 2013 5.2.1 Developing a corporate social responsibility plan which will include the economic role of YPO and developing YPO's good neighbourliness and developing ethical standards.	Promoting values for the Joint Committee and demonstrating the values of good governance through upholding high standards of conduct and behaviour.	Ensuring that organisational values are put into practice and are effective.	Head of HR and PSS	YPO has continued to embed its corporate social responsibility (CSR) plan throughout 2014. In 2015 the core group will continue to look at YPO's longer term CSR strategy whilst smaller groups will focus on environmental issues, employment and community to further develop our ethical standards and contribution to the local community.	Yes	AGS-2014-001
AGS 2013 5.2.2 Quality Standards (ISO 9001): YPO was committed to securing this standard by December 2010. This has not been achieved and in 2014 YPO will be assessing this particular standard and other quality standards to determine the value to YPO of accredited quality management systems.	Promoting values for the Joint Committee and demonstrating the values of good governance through upholding high standards of conduct and behaviour.	Ensuring that organisational values are put into practice and are effective.	Commercial Director	YPO now has a four-strong quality team, which is developing a Quality Management System. Processes have already been implemented to assure compliance for all new products and for reporting and correcting non-conformities to prevent recurrence. Quality audit has recently been introduced. A revised version of ISO 9001 will be published in 2015, but the draft has highlighted commonality between different management system standards, which will enable work on ISO 9001 to link to YPO's ISO14001 (Environmental Management) accreditation. The decision whether to seek accreditation will be deferred until the final standard is published, but the intention is, as a minimum, to work towards the standard as "best practice".	Yes	AGS-2014-002
AGS 2013 5.2.3 Increase the Organisation's knowledge	Promoting values for the Joint Committee and demonstrating	Ensuring that organisational values are put into	Commercial Director	YPO has taken steps to increase in-house knowledge on the legislation governing the products we supply. This	Yes	AGS-2014-003

<p>of product liability, especially in relation to own-brand products and low-cost country sourcing.</p>	<p>the values of good governance through upholding high standards of conduct and behaviour.</p>	<p>practice and are effective.</p>	<p>has included Food Safety training for all staff dealing with food products. New product introduction has now been formalised to ensure that relevant documentation is available before a new product can be sold. Guidance notes were provided to suppliers and ongoing support has been available to buyers to ensure that the correct product information is obtained. Development of a standard process and IT systems to support it means that the information is now centrally accessible and controlled. Retrospective work has been carried out on the highest risk products – those which YPO imports directly from outside the EU – to ensure that suppliers and products meet applicable legal, environmental and ethical standards. YPO has a system of product evaluation and sample reviews for these products. YPO is also working with a strategic partner to undertake factory audit and pre-shipment inspection, where required.</p>		
<p>AGS 2013 5.2.4 A recommendation in the Audit Commission's 2011 Annual Letter R5 stated, "Ensure the cost and resource implications for all parts of the Organisation are understood in all business planning decisions.</p>	<p>Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.</p>	<p>Having good-quality information, advice and support to ensure that services are delivered effectively and are what the customer wants/needs.</p>	<p>Executive Director Work is continuing through business planning to evaluate existing YPO systems against best of breed systems and review the impact any strategic business decisions may have on these systems. The Senior Leadership Team has been restructured to support strategic decision making and the IT development team has been significantly invested in over the last 18 months to improve internal capacity to support the programme of IT development work. Going forward, reviewing existing processes and highlighting internal efficiencies will continue to be at the forefront of strategic decision-making.</p>	<p>Yes</p>	<p>AGS-2014-004</p>

<p>AGS 2013 5.2.5 Fully embed the risk management process within the Organisation's business planning process and make the links between the Organisation's strategic and operational risks more clear.</p>	<p>Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.</p>	<p>Ensuring that an effective risk management system is in place</p>	<p>Executive Director</p>	<p>YPO's Risk Management Policy and Strategic Framework has been reviewed and now clearly details the relationship between 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. Work will continue during 2015 to embed this process across the Organisation.</p>	<p>Yes</p>	<p>AGS-2014-005</p>
<p>AGS 2013 5.3.1 Changes to relevant legislation affecting YPO and recommendations for action to be taken is provided by YPO's legal advisers.</p>	<p>Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.</p>	<p>Having good-quality information, advice and support to ensure that services are delivered effectively and are what the customer wants/needs.</p>	<p>Executive Director</p>	<p>Work is underway to introduce a Service Level Agreement with the Lead Authority for Legal Support Services. During 2014 YPO appointed a qualified legal professional and there are plans to recruit a Legal Officer to further support the organisation moving forward. Following a recommendation from Internal Audit, all Committee papers will begin to include a Legal Implications section which will be completed by a qualified employee.</p>	<p>Yes</p>	<p>AGS-2014-006</p>

5.2. This Annual Governance Statement and supporting documentation provides evidence of improvements in YPO's governance arrangements in 2014. Following completion of Assurance Statements by the Board of Directors, it is acknowledged that in 2015 and beyond there are a number of improvements to be made to further enhance the existing governance environment in addition to those recorded above. These key issues are:

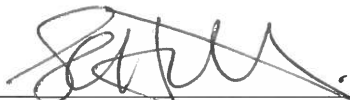
Reference	Core Principle	Supporting Principle	Key Improvement	Lead Officer
AGS- 2014-007	Focusing on the purpose of the Joint Committee and on outcomes for our customers and stakeholders and creating and implementing a vision for the Joint Committee.	Ensuring that YPO makes best use of resources and that investment in YPO gives excellent value for money.	More work is required to fully embed previous work for ISO14001 (Environmental Management) into policies and decisions.	Head of HR and PSS

5.3. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:



Chair of the Audit Sub-Committee



Simon Hill, Managing Director YPO

