

Chief Executive

Joanne Roney OBE

Your Ref.

Our Ref

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Date 16 March 2017

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Typetalk calls welcome

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

Chief Executive of the Constituent Authorities (for information)

Dear Councillor

**YORKSHIRE PURCHASING ORGANISATION MANAGEMENT COMMITTEE MEETING
– FRIDAY, 24 MARCH 2017**

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, 24 March 2017** 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.

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

**YORKSHIRE PURCHASING ORGANISATION MANAGEMENT COMMITTEE -
Friday, 24 March 2017**

AGENDA

1. Apologies for Absence.
2. Members' Declaration of Interest.
3. To note any items which the Chairman has agreed to add to the agenda on the grounds of urgency.
4. Minutes of the Management Committee - 25 November 2016. (Pages 1 - 6)
5. Minutes of the Executive Sub-Committee - 10 March 2017. (Pages 7 - 9)
6. Minutes of the Audit Sub-Committee - 10 February 2017. (Pages 11 - 14)
7. Minutes of the Scrutiny Sub-Committee - 10 February 2017. (Pages 15 - 18)
8. Lead Authority Issues. (Pages 19 - 29)
9. Pre Audit Statement of Accounts. (Pages 31 - 72)
For Members information only.
10. Internal Audit Annual Report. (Pages 73 - 79)
11. Associate Member Proposals. (Pages 81 - 92)
12. Internal Audit Plan. (Pages 93 - 101)
13. Standing Orders and Financial Procedure Rules. (Pages 103-131)
14. Committee Structure. (Pages 133-156)
15. In relation to reports containing exempt information to consider, and if approved, pass the following resolution:-
"That the public and press be excluded from the meeting for consideration of agenda items 16 to 19 on the grounds that they are likely to involve the disclosure of exempt information as described in Part 1 of Schedule 12A to the Local Government Act 1972, as amended."

IN PRIVATE

16. Business Update. (Pages 157-159)
17. Dividend Distribution. (Pages 161-167)
18. Report of Independent Director. (Pages 169-171)
19. YPO Board Structure. (Pages 173-183)
20. Date and Time of Next Meeting.

The next meeting of the Management Committee will be the AGM to be held on 23 June 2017 at 10.30am.

YORKSHIRE PURCHASING ORGANISATION MANAGEMENT COMMITTEE

Friday 25th November 2016

- Present:**
- Barnsley MBC**
Councillor Barnard
Councillor Gardiner
 - City of Bradford**
Councillor Warburton
 - Calderdale MBC**
Councillor Pillai
 - Doncaster MBC**
Councillor Cole
 - Knowsley MBC**
Councillor Byron
 - North Yorkshire CC**
Councillor Mackenzie
 - Rotherham MBC**
Councillor Atkin
 - St Helens MBC**
Councillor Johnson
Councillor Glover
 - Wakefield MDC**
Councillor Shaw (Chair)
Councillor Dagger
 - Wigan MBC**
Councillor Walker
 - City of York**
Councillor Mercer

24:	Apologies for Absence
	Apologies for absence submitted prior to the meeting were accepted on behalf of Councillors Williams (Knowsley MBC), Whitely (City of Bradford), Trotter (North Yorkshire), Corden (Doncaster MBC), Walker (Kirklees MBC), Morris (Bolton MBC), Kenny (Wigan MBC) and Mather (Kirklees MBC).
25:	Members Declaration of Interest
	No declarations of interest were made by Members.

26:	Minutes of the Management Committee – 22 June 2016
	Resolved – That the Minutes of the meeting of the YPO Management Committee held on 22 June 2016 be accepted as a correct record.
27:	Minutes of the Scrutiny Sub-Committee – 21 October 2016
	Resolved – That the Minutes of the meeting of the Scrutiny Sub-Committee held on 21 October 2016 be accepted as a correct record.
28:	Minutes of the Audit Sub-Committee – 4 November 2016
	<p>The Monitoring Officer noted that the Audit Sub-Committee on 4 November 2016 was not quorate.</p> <p>The Chair suggested that this needs addressing moving forward as this is a recurring problem. Merging the Scrutiny Sub-Committee and Audit Sub-Committee could be an option to consider.</p> <p>Resolved – (1) That the Audit Sub-Committee and Scrutiny Sub-Committee meeting on 10 February 2017 be held as a joint meeting.</p> <p>(2) That a report be submitted to the March Management Committee asking it to consider merging the Audit Sub-Committee and Scrutiny Sub-Committee, and consequent amendments to the Management Agreement.</p>
29:	Minutes of the Executive Sub-Committee – 11 November 2016
	Resolved – That the Minutes of the meeting of the Executive Sub Committee held on 11 November 2016 be accepted as a correct record.
30:	Associate Member Proposals
	<p>Consideration was given to the report of the Strategic Relationship Manager which provided Members with a summary of the applications for Associate Membership status from Craven District Council, Greater Manchester Police and Coventry City Council.</p> <p>Resolved – That Craven District Council, Greater Manchester Police and Coventry City Council be accepted as Associate Members.</p>
31:	YPO Pay Policy
	<p>Consideration was given to a report of the Assistant Director Julie Wray which asked Members to agree a pay policy for YPO in line with statutory requirements to comply with the 2011 Localism Act.</p> <p>Members raised a number of questions and detailed responses from the Assistant Director were accepted.</p> <p>Resolved – (1) That the Pay Policy for 2017 be agreed.</p> <p>(2) That the information be published in line with the revised transparency requirements.</p>
32:	Lead Authority Issues

	<p>The Monitoring Officer explained to Members that as per the Management Agreement a review of the role of the Lead Authority is underway.</p> <p>A sub group of Strategic Officers has been formed to conduct the review, that Members will be asked for their views as part of the process, and a report detailing the conclusion of the review will be submitted to Members at the March Management Committee.</p>
33:	Appointment of Auditor
	<p>The Executive Director, Paul Smith presented a report detailing the results of a recent tender exercise that was undertaken to appoint an external audit service for the Joint Committee.</p> <p>Resolved – That Members note the appointment of the external auditors KPMG.</p>
34:	Member Authority Impact Assessment Process
	<p>The Executive Director, Paul Smith presented the Member Authority Impact Assessment Process.</p> <p>The Managing Director, Simon Hill shared that going ahead with the framework detailed in the report isn't the right thing to do at this time, permission was sought from the Chair to remove recommendation 9.2 from the report.</p> <p>Resolved – That the control processes detailed in paragraph 2.6 of the report are approved.</p>
35:	Exclusion of the Public and Press
	<p>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</p> <p>IN PRIVATE</p>
36:	YPO Market Overview (Exempt – Paragraph 3)
	<p>The Executive Director, Jo Marshall presented a report providing Members with an overview of the Education Market.</p> <p>The report provided Members with information on what is happening in the education market and what effect this is having for YPO's customers.</p> <p>Resolved – That the report be noted.</p>
37:	Business Update (Exempt - Paragraph 3)
	<p>Consideration was given to the report of the Managing Director which provided an update of the activities of the Organisation since the last meeting and gave an overview on forthcoming activities and challenges.</p>

	<p>The report included an update on performance, procurement, commercial issues, operational issues, and financial issues.</p> <p>Resolved – That the report be noted.</p>
38:	Budget and Business Plan 2017 (Exempt - Paragraph 3)
	<p>Executive Director Paul Smith presented to Members the Budget and Business Plan for 2017.</p> <p>The presentation supported the report and detailed the business planning process, 2017 priorities and budget headlines.</p> <p>Resolved – That the 2017 Budget and Business Plan is approved.</p>
39:	Report of Independent Director (Exempt – Paragraph 3)
	<p>Members gave consideration to a report of the Independent Director which detailed his observations of the organisation during the past year.</p> <p>Resolved – That the Independent Director be thanked for his report and that his observations be noted.</p>
40:	Dividend Distribution (Exempt – Paragraph 3)
	<p>The Executive Director, Paul Smith presented a proposal to amend the current system for distributing dividend to member authorities.</p> <p>The Executive Director notified Members that a sub group of Strategic Officers have reviewed the system and contributed to the content of the report.</p> <p>Resolved – (1) That option two of the report is agreed by Members.</p> <p>(2) That final ratification of the option agreed to be made in March when Members are presented with the dividend amount.</p> <p>(3) That the baseline for all Associate Members is set to zero.</p> <p>(4) That any special amendments to associate member payments will be considered at the March Management Committee each year when the dividend calculation is made.</p>
41:	Senior Remuneration Update (Exempt – Paragraph 3)
	<p>All YPO Officers left the room for the consideration of Item 23 except Simon Hill.</p> <p>After discussion with the members it was resolved that:</p> <p>(1) The proposal discussed at the last Management Committee for a retention payments system be discontinued.</p> <p>(2) The proposal to increase the size of the Board of Directors be initially discussed at the JCC, and brought to a subsequent Management Committee together with appropriate professional advice from the Lead Authority, as required by the Management Agreement</p>

42:	DATE AND TIME OF NEXT MEETING Resolved – That the next meeting of the YPO Management Committee will be held on 24 March 2017 at 10.30am.

YORKSHIRE PURCHASING ORGANISATION EXECUTIVE SUB-COMMITTEE

10th MARCH 2017

Present: The Chair: Councillor Shaw (Wakefield)

Councillors - Walker (Wigan), Johnson (St Helens) Atkin (Rotherham), Mackenzie (North Yorkshire), Walker (Kirklees)

19:	CHAIR'S INTRODUCTION & WELCOME
	The Chair, Councillor Shaw, welcomed Members to the meeting.
20:	APOLOGIES FOR ABSENCE
	Apologies for absence submitted prior to the meeting were accepted on behalf of Councillors Morris (Bolton), Bryon (Knowsley), Whiteley (Bradford) and Mercer (York).
21:	MINUTES – 11 NOVEMBER 2016
	Resolved – That the Minutes of the meeting of the YPO Executive Sub-Committee held on 11 th November 2016 be approved as a true and accurate record.
22:	MEMBERS DECLARATION OF INTEREST
	No declarations of interest were made.
23:	URGENT ITEMS
	No urgent items were discussed.
24:	LEAD AUTHORITY ISSUES
	No Lead Authority Issues were discussed.
25:	CONTRACT STANDING ORDER AND FINANCIAL PROCEDURE RULES
	The Managing Director presented the Standing Orders and Financial Procedure Rules.
	The Contract Standing Orders and Financial Procedure Rules have been reviewed to ensure compliance with the current law. Members were advised of two changes to the document.
	Resolved: (1) That the Executive Sub-Committee recommended the report to Management Committee for approval.
26:	ASSOCIATE MEMBER PROPOSALS
	A report was submitted detailing Associate Member applications for Devon County Council and London Borough of Westminster.
	Both applicants are strategic customers that fall within YPO's key target geographies in London and the South West.

	Resolved: (1) That the Executive Sub-Committee recommended the report to Management Committee for approval.
27:	EARMARKED RESERVES SPEND
	<p>The Executive Director provided an update on the use of the Internal Investment Reserves and outlined the additional investments agreed for 2017.</p> <p>Resolved – (1) That the Executive-Sub Committee note the reserves position as at 1st January 2017.</p>
28:	SOCIAL VALUE WORK
	<p>The Executive Director provided Members with an update on YPO's progress on social value development and reporting.</p> <p>The Social Value Act became law in January 2013, social value is core to YPO's Procurement Services offering and YPO has made a commitment to ensure that this appropriately represented and measured within our own business transactions.</p> <p>The report detailed that the two main delivery outputs for social value are; developing, measuring and reporting the YPO Social Value impact through our direct support agreements and ensuring our frameworks allow our customers to deliver social value through their supply requirements.</p> <p>Resolved – (1) That the report be noted.</p>
29:	EXCLUSION OF THE PUBLIC AND PRESS
	Resolved – That the public and press be excluded from the meeting during consideration of Agenda Items 12 to 13 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.
30:	PERFORMANCE REPORT (EXEMPT)
	<p>The Executive Director presented the report detailing the latest performance results for the Organisation.</p> <p>The Executive Director explained that during 2017 we are focusing on growth in particular key markets where opportunities for growth have been identified.</p> <p>Councillors asked for more detail and clarification around a number of points and were satisfied with the responses provided by Officers.</p> <p>The Executive Director explained that a Dividend Distribution report is on the agenda for discussion at the Management Committee on 24th March, the Executive Director updated Members with some of the content of the report. It was shared that there are three options available to Members and detail of these will be contained in the report.</p>

	Resolved – (1) That the Performance Report be noted.
31:	BUSINESS UPDATE (EXEMPT)
	<p>The Managing Director presented the Business Update which provided Members with an update on activities of the organisation since the last sub-committee and provided an overview on forthcoming activities and challenges.</p> <p>Resolved: (1) That the Business Update be noted.</p>
32:	DATE AND TIME OF NEXT MEETING
	<p>Resolved – That the next meeting of the YPO Executive Sub Committee will be held on Friday 9th June 10.30am</p>

YORKSHIRE PURCHASING ORGANISATION AUDIT SUB-COMMITTEE

Friday 10th February 2017

Present: The Chair: Councillor Trotter (North Yorkshire CC)

Councillors: Mather (Kirklees MBC), Pillai (Calderdale MBC)
 Observing: Walker (Wigan MBC), Warburton (Bradford MDC) and
 Barnard (Barnsley MBC)

1.	ELECTION OF CHAIR
	The Monitoring Officer requested nominations to the position of Chair for the Audit Sub Committee. A nomination was received and seconded on behalf of Councillor Trotter (North Yorkshire CC).
	Resolved – (1) That Councillor Trotter of North Yorkshire CC be elected as Chair of the Audit Sub Committee.
2.	CHAIR'S INTRODUCTION & WELCOME
	Councillor Trotter welcomed all parties to the meeting.
3.	ACCEPTANCE OF APOLOGIES FOR ABSENCE
	Apologies for absence submitted prior to the meeting were accepted on behalf of Councillor Dagger (Wakefield MDC).
4.	MINUTES
	There were no meeting minutes to review as the previous meeting was not quorate.
5.	URGENT ITEMS
	No urgent items were discussed.
6.	COMMITTEE STRUCTURE
	Consideration was given to a report provided by the Managing Director.
	Members debated the options available in relation to the quorum of the Sub-Committees.
	Concerns were noted regarding the lack of attendance from Members.
	Members considered the implications of the report of the Managing Director and discussed recommending the combination of the sub-committees.
	Members agreed that many authorities do run their Audit Committees alongside other Committees and the Monitoring Officer advised that the agenda of the newly constituted Sub-Committee could include all the agenda items of the current Sub-Committees.

	<p>Resolved - (1) That the Managing Director prepare a report for the Management Committee explaining that the Members' recommendation was to recommend that the Audit Sub and Scrutiny Sub Committee are combined, and be made up of ten members, with a quorum of four Members and meetings to be held a minimum of four times per year in future.</p> <p>(2) That the Standing Orders are amended so that Members can cover each others' meeting commitments at YPO.</p> <p>(3) That a sentence is added to the front of the agenda packs highlighting that if a Member is unable to attend, could they please send an alternate to represent.</p> <p>(4) That the Committee Services Manager asks Members if they can send a substitute member when they give their apologies.</p> <p>(5) That a letter be sent to the Leader of all authorities by the Managing Director reminding them of the importance of committee meeting attendance.</p>
6.	ANNUAL GOVERNANCE STATEMENT
	<p>Consideration was given to a report of the Executive Director which provided Members with the details of the Annual Governance Statement.</p> <p>The Managing Director provided Members with further detail in relation to the assessment scoring for the Board Assurance Statement 2016.</p> <p>Resolved - (1) That the Annual Governance Statement be approved.</p>
7.	EXTERNAL AUDIT PLAN
	<p>Consideration was given to the KPMG External Audit Plan. Members raised a number of questions with KPMG and Officers and were satisfied with the responses.</p> <p>Resolved – (1) That the External Audit Plan be noted.</p>
8.	PRE AUDIT STATEMENT OF ACCOUNTS
	<p>Consideration was given to the report of the Head of Finance which provided Members with the details of the Pre-Audit Statement of Accounts 2016, attached as Appendix 1 and to inform Members of the public notice of the commencement of the audit and public inspection period.</p> <p>The report will be submitted to the next meeting of the YPO Management Committee for the information to be noted by members.</p> <p>Resolved – (1) That the Pre Audit Statement of Accounts 2016 are agreed to be submitted to External Audit and the public inspection notice to be issued.</p>
9.	INTERNAL AUDIT ANNUAL REPORT 2016
	<p>Consideration was given to the report of the Section 151 Officer which presented the draft Annual Audit Report (see attached Appendix A) for 2016, in line with</p>

	<p>the requirements of the Internal Audit Protocol and the Public Sector Internal Audit Standards (PSIAS).</p> <p>An Internal Audit Progress report covering work undertaken between November 2016 and January 2017 (see attached Appendix B).</p> <p>To receive the following Internal Audit Opinion (extract from YPO Annual Governance Statement [AGS] 2015):</p> <p>“From the work undertaken by Internal Audit during 2016, 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 2016 AGS.”</p> <p>Resolved – (1) That the Annual Audit report, as detailed in Appendix A, be recommended to the Management Committee for formal acceptance.</p> <p>(2) That the Internal Audit Progress report, as detailed in Appendix B, be endorsed.</p>
10.	INTERNAL AUDIT PLAN 2017
	<p>Consideration was given to the report of the S151 Officer which provided Members with the Draft Internal Audit Plan 2017.</p> <p>The Plan will be submitted to the next meeting of the YPO Management Committee for formal approval in line with agreed protocols.</p> <p>Resolved – (1) That the draft Annual Audit Plan 2017 be noted.</p> <p>(2) That the draft Annual Audit Plan 2017 be submitted to YPO Management Committee for formal approval.</p> <p>(3) That a benchmarking table on Internal Audit costs be provided to Members at the next Audit Sub Committee.</p>
11.	EXCLUSION OF THE PUBLIC & PRESS
	<p>Resolved – That the public and press be excluded from the meeting during consideration of agenda items 14 and 15 on the grounds that they are likely to involve the disclosure of exempt information as described in Part 1 of Schedule 12A to the Local Government Act 1972, as amended.</p>
12.	IT PROGRAMME UPDATE
	<p>Consideration was given to the report of the Head of Business Change & IT which provided Members with an update on the current project dossier.</p>

	<p>The report summarised the major risks and mitigation for each project and Members were informed that the Board review the activity and progress on the IT Programme on a monthly basis at the Programme Board Meeting.</p> <p>Resolved – (1) That the report be noted.</p>
13.	INTERNAL AUDIT ACTION UPDATE
	<p>Consideration was given to a report which provided an update as to the progress made towards actions resulting from internal audits completed at YPO, as part of the Annual Audit Plan by Wakefield Council's Internal Audit.</p> <p>Resolved – (1) That the progress made in implementing internal audit actions be noted.</p>
14.	DATE AND TIME OF NEXT MEETING
	<p>Resolved – (1) That the next meeting of the YPO Audit Sub Committee is to be confirmed following a recommendation to Management Committee in relation to the committee structure.</p>

YORKSHIRE PURCHASING ORGANISATION SCRUTINY SUB-COMMITTEE

Friday 10th February 2017

MEETING NOT QUORATE – MINUTES FOR INFORMATION ONLY

Present: The Chair: Councillor Warburton (Bradford MDC)

Councillors: Barnard (Barnsley MBC)

Audit Sub Committee Observers: Walker (Wigan MBC), Mather (Kirklees MBC), Pillai (Calderdale MBC) and Trotter (North Yorkshire CC).

11.	CHAIR'S INTRODUCTION & WELCOME
	The Chair, Councillor Warburton, welcomed all parties to the meeting.
12.	ACCEPTANCE OF APOLOGIES FOR ABSENCE
	Apologies for absence submitted prior to the meeting were accepted on behalf of Councillor Corden (Doncaster MBC), Glover (St Helens MBC), Swift (Calderdale MBC) and Walker (Kirklees MBC).
	It was noted that the meeting was not quorate however the agenda items would be reviewed by the Members in attendance.
	The Monitoring Officer explained the current consultation in relation to the legislation which is being reviewed by Government around Local Government undertaking virtual meetings. This legislation is yet to be approved, however this may be something that Members wish to use in the future.
	Members noted some concerns around using this function due to the standard of the IT systems within Local Authorities.
13.	MEMBERS' DECLARATIONS OF INTEREST
	No declarations of interest were made.
14.	MINUTES – 21st October 2016
	It was the feeling of the meeting that the minutes of the YPO Scrutiny Sub-Committee held on 21 st October 2016 were a correct record.
15.	URGENT ITEMS
	No urgent items were raised by Members.
16.	COMMITTEE STRUCTURE

	<p>Consideration was given to a report provided by the Managing Director.</p> <p>Members debated the options available in relation to the quorum issues of the Sub-Committees.</p> <p>Concerns were noted regarding the lack of attendance from Members.</p> <p>Members considered the implications of the report of the Managing Director and discussed recommending the combination of the sub-committees.</p> <p>Members agreed that many authorities do run their Audit Committees alongside other Committees and the Monitoring Officer advised that the agenda of the newly constituted Sub-Committee could include all the agenda items of the current Sub-Committees.</p> <p>Members asked that:</p> <p>(1) the Managing Director prepare a report for the Management Committee explaining the Members recommendation was to recommend that the Audit Sub and Scrutiny Sub Committee are combined, and be made up of ten members with a quorum of four Members and meetings to be held a minimum of four times per year in future.</p> <p>(2) That the Standing Orders are amended so that Members can cover each others' meeting commitments at YPO.</p> <p>(3) That a sentence is added to the front of the agenda packs highlighting that if a Member is unable to attend, could they please send an alternate to represent.</p> <p>(4) That the Committee Services Manager asks Members if they can send a substitute member when they give their apologies.</p> <p>(5) That a letter be sent to the Leader of all authorities by the Managing Director reminding them of the importance of committee meeting attendance.</p>
17.	GIFTS AND HOSPITALITY
	<p>Consideration was given to the Gifts and Hospitality report presented by the Managing Director.</p> <p>The Managing Director explained that no changes are proposed to the policy at this time.</p> <p>Members were happy with the policy and the content of the Gifts and Hospitality Register.</p> <p>Members noted the report.</p>
18.	PRIVATE

	That the public and press were excluded from the meeting during consideration of agenda items 9, 10 and 11 on the grounds that they are likely to involve the disclosure of exempt information as described in Part 1 of Schedule 12A to the Local Government Act 1972, as amended.
19.	PROCUREMENT SERVICES STRATEGY
	<p>Consideration was given to a report and presentation given by the Head of Procurement regarding the Procurement Services Strategy for 2017.</p> <p>The presentation explained to Members the five key strategic themes within Procurement Services for 2017.</p> <p>The Head of Procurement explained that this strategy serves as a precursor for the emerging Three Year Strategy for 2018 - 2020.</p> <p>The Managing Director outlined the work that the team are doing with our current frameworks during 2017.</p> <p>Members raised a number of questions and detailed responses from YPO Officers were accepted.</p> <p>Members noted the report and asked that the delivery plan for rebate income be presented at the next Scrutiny Sub Committee (in whatever form it may become).</p>
20.	COMMERCIAL STRATEGY
	<p>Consideration was given to a report and presentation given by the Executive Director regarding the Commercial Strategy 2015 – 2017.</p> <p>The Executive Director provided an update on progress over the last year and highlighted the focus areas for year three of the Commercial Strategy.</p> <p>Members raised a number of questions and detailed responses from YPO Officers were accepted.</p> <p>Members noted the report.</p>
21.	STOCK LOSSES
	<p>Consideration was given to a report that outlines the stock losses incurred during 2016.</p> <p>Members raised a number of questions and detailed responses from YPO Officers were accepted, and noted the report.</p>
	DATE AND TIME OF NEXT MEETING

	The next meeting of the YPO Scrutiny Sub Committee is to be confirmed following a recommendation to Management Committee in relation to the committee structure.
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YORKSHIRE PURCHASING ORGANISATION

WAKEFIELD COUNCIL

**REVIEW OF THE ROLE OF THE LEAD
AUTHORITY**

MARCH 2017

Report authors:

Martin Dearnley, Head of Audit & Risk, Kirklees Council

Tony Quail, Head of Procurement and Programmes & Project Support, Knowsley Council

Executive Summary

1. Yorkshire Purchasing Organisation (YPO) and Wakefield Council work together effectively.
2. This relationship is based very much on the quality of services provided by particular officers who are held in very high regard by YPO senior managers.
3. Members of the Management Committee and officer advisors are also of the view that the YPO relationship with Wakefield Council is effective and valuable.
4. The arrangement works well most of the time. It breaks down a little when there is a perception by Wakefield Council of a lack of sharing of key information or plans by YPO, which occasionally requires harder work than would otherwise have been necessary to achieve outcomes in terms of governance.
5. The relationships in respect of overall management, internal audit and financial advice are seen as very sound. There are some minor issues to address in respect of treasury management and clarity of reporting.
6. Although operational relationships between the Human Resource functions and Wakefield are good, there is scope to improve the relationship at a strategic level. The recent proposed changes to senior management pay and grading are not seen as being well handled by either party.
7. The relationship between the YPO Chief Executive and the Wakefield Council Chief Executive are not as defined or developed as they could be, and would benefit from some closer working and communication.
8. It is appropriate to include transport management services in the Management Agreement (as YPO is unable to hold a transport operator's licence in its own right).
9. It is also necessary to consider if the lead authority should have a role in subsidiary companies established by the YPO.

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1. Introduction

- 1.1 Yorkshire Purchasing Organisation (YPO) was formed from the former West Riding stores operation in 1974. It has 13 founder member local authorities from the historical counties of Yorkshire and Lancashire.
- 1.2 Wakefield Council acts as the host authority and is the legal owner of all of the YPO assets and employs YPO staff. Its role is covered by a Management Agreement, approved by each of the thirteen member authorities, that sets out the broad responsibilities of Wakefield Council as lead authority, in ensuring sound management and governance. In this role Wakefield represents the twelve other local authorities and itself.
- 1.3 The Management Agreement includes clauses anticipating a review every five years of the role of the lead authority.
- 1.4 The Management Agreement was last renewed in 2011, therefore it was agreed by the Strategic Officer Advisory Group (SOAG) that it was appropriate to carry out a review at this time.
- 1.5 The review was carried out by two officer members of SOAG, Martin Dearnley (Head of Audit & Risk at Kirklees Council, and a longstanding member of SOAG) and Tony Quail (Head of Procurement and Programmes & Project Support at Knowsley Council). Jonathan Cliff, formerly of Wigan Council and also a longstanding member of SOAG also contributed to the review.

2. Methodology

- 2.1 The approach involved a number of stands including semi-structured and focused interviews with key stakeholders, and a survey to obtain views of Elected Members of the Management Committee, the Strategic Officer Advisory Group and other key officers in participant authorities.
- 2.2 Interviews were held with a range of key officers from YPO and Wakefield Council:
YPO interviewees:
 - Simon Hill (Chief Executive),
 - Paul Smith (Executive Director Procurement),
 - Jo Marshall (Executive Director Sales),
 - Julie Wray (Assistant Director, HR & Logistics)
 - Steven Hall (Head of Finance)*Wakefield Council interviewees:*
 - Michael Clements (statutory Chief Financial Officer, and Assistant Chief Executive)
 - Bernadette Livesey (Governance and Legal Advisor to YPO)
 - Julie Copley (Finance Manager Advisor to YPO)
 - Helen Grantham (Strategic HR Advisor/Assistant Chief Executive)
 - Carl Tweed and Mark St Romaine (Internal Auditors of YPO)

2.3 Surveys were sent to 48 participants. These included the opportunity to rate Wakefield Council's performance against a scale ranging from poor to excellent in relation to the quality of services provided. These included the role and perceived quality of:

- The monitoring officer and legal services
- The chair of the Strategic Officers group
- The financial advisory function
- Internal Audit
- Human resources advice

2.4 Interviews were carried out in December 2016; the survey was undertaken during January 2017.

3. Findings – Discussions

3.1 There was a very positive response from both the client side (YPO) and the service provider (Wakefield Council).

3.2 This is based very much around personal relationships, and for the majority of individual relationships these are clearly based around a strong bond of sharing and trust.

3.3 The findings in respect of each area can be summarised as follows;

- a) Finance function. There is substantial satisfaction in the quality of the financial advisory services provided by Wakefield Council. From YPO, the Chief Executive, Executive Director and Head of Finance all reported on the strength of the relationship with Julie Copley (the Financial Advisor at Wakefield Council). YPO value the advice from the Financial Advisor, and the latter also values the willingness of YPO to share, and take action on recommendations although it was observed that occasionally information is not shared by YPO as promptly as it might be. There is perhaps also an opportunity to make some information clearer, although it is acknowledged as much better than it was in the past. Wakefield is also commended for the quality of the advice on financial accounting and final account presentations and taxation advice. Although the majority of financial services are holistic, the insurance oversight appears to be compliance only, with YPO dealing with brokers to secure cover. The issue of treasury management requires resolution, albeit it is not due to specific action by either party.
- b) Internal audit. The internal audit team were considered to be strong, having learnt about YPO systems, and asking sensible but difficult questions. The agreed plan was delivered.

- c) Legal Advisor, Monitoring Officer and Chair of Strategic Officers Group.
The role of Bernadette Livesey as lead officer in these roles was considered helpful and positive. The Chief Executive of YPO valued the advice offered and counsel on matters relating to governance, and ensuring sound decision making at both officer and member level. Ms Livesey also noted the strong relationship with all officers of YPO and the Chief Executive particularly, but noted that on occasions an earlier discussion would often help create the most effective and least disruptive outcome.
 - d) Human Resources. There is a very positive relationship at an operational level with mutual support between the organisations e.g. HR disciplinary independent advice, sharing of local government related HR advice and payroll. However, there was a view from YPO that the Wakefield Council contribution to the debate about YPO senior management grading and restructuring could have been better handled and more effective. This was also an area where Wakefield identified some concerns. Wakefield felt that YPO could have helped by being more open and that a workforce plan would have helped to create a strategic direction for the labour force team, including management.
- 3.4 Although not covered by the current Management Agreement, there are four further areas that were subject to discussion (Transport, relationship between Chief Executives and YPO and Wakefield, the YPO Holding Limited Company and continuation of commissioning External Audit). These are discussed in the paragraphs below.
- 3.5 In relation to Transport, YPO is not a body corporate and therefore, VOSA (Vehicle and Operator Services Agency) will not issue a separate transport operator's licence to YPO. It operates therefore under Wakefield Council's operator's licence. This means that Wakefield must oversee the transport operations of YPO, with a resultant activity rather larger than some of the formal areas of activity. YPO was very happy with the services provided by Wakefield transport, and commended their positive advice in fleet restructuring to reduce costs. Vehicle maintenance activity has been benchmarked, and is procured from Wakefield Council, by way of a direct agreement.
- 3.6 The Chief Executive of YPO noted that there was no formal relationship with the Chief Executive of Wakefield. This in some respects had positive results, but it also meant that there was no formal structure or interaction at the higher level of relationships with other local authorities. The YPO Chief Executive noted that the Chief Executive of ESPO is formally performance managed by the Chief Executive of the Leicestershire County Council, although this model was not formally being sought.
- 3.7 The issue of relationships with Chief Executives related mainly to West Yorkshire, where occasionally a lack of engagement could lead to West Yorkshire Chief Executives and (Council) Leaders making decisions in respect of which YPOs current or potential contribution is not recognised.

This is a difficult area, as only 4 of the 5 local authorities in West Yorkshire are members of YPO (Leeds is not a formal member, but an associate member, albeit that it contributes a larger proportion of turnover than a number of full member authorities), and YPO has 9 other members not located in the West Yorkshire area.

- 3.8 YPO has created a company corporate structure (YPO Holdings Limited) to deliver some sales with the agreement of all its members. Although the governance of companies is not as complex as a joint authority, and office holders have legal liability that ought to mean that they act at all times with high faith, the lead authority has no formal role in ensuring appropriateness and fidelity, despite the possibility that poor commercial judgements, or errors in operation could create risk for the joint authority.
- 3.9 Legislation means that the YPO no longer is required to have a statutory external audit. This is despite the very large value of transactions and commercial value of the entity. So far officers of YPO and Wakefield Council have felt it appropriate to continue with an external audit on the grounds of assurances that this provided to all parties (management, Wakefield and the owners).

4. Findings – Surveys

- 4.1 Surveys were used as a means of contacting members of the YPO Management Committee, officers of the Strategic Officer Advisory Group and other contacts as appropriate.
- 4.2 The survey had 23 questions, within several sub categories. The questions asked participants to state their knowledge or perceptions of service quality in the range poor/fair/good/excellent. Participants were offered the opportunity to make further comments by way of free text.
- 4.3 Forty eight surveys were issued and sixteen responses were received (from 7 members of Management Committee; 5 Strategic Officers; 2 other members; and 2 not stated). Not all participants responded to every question.
- 4.4 There were no “poor” responses to any part of any survey by any participant. A summary of the responses are shown in the charts below.

All responses in total

Excellent	55%
Good	41%
Fair	4%

**Individual Rating Score Summary
for YPO Survey - All Questions**



**Individual Rating Score Summary
for YPO Survey - Legal**

Legal

Excellent	29%
Good	71%



**Individual Rating Score Summary
for YPO Survey - Finance**

Finance

Excellent	52%
Good	46%
Fair	2%



Individual Rating Score Summary for YPO Survey - Audit

Internal Audit

Excellent 25%
Good 75%



Individual Rating Score Summary for YPO Survey - HR Advice and Guidance

Human Resources

Excellent 22%
Good 64%
Fair 14%



Individual Rating Score Summary for YPO Survey - Role of the Chair - Strategic Officer Group

Chair : Strategic Officers

Excellent 75%
Good 25%



4.5 A sample of specific comments made as a part of the survey were;

- (a) "Have always found the advice and explanations given to be concise and well thought out" (Member);
- (b) "Disappointing support from HR lead at Wakefield regarding the payment of YPO Directors. Extremely slow and weak response. Clearly not well informed and lacking commercial understanding. May have damaged relationship with the directors of YPO" (officer);
- (c) "Bernadette Livesey brings a positive presence to the meetings. It may be worth trying to get back to the SOAG having a leading rather than following role" (officer);
- (d) "Compared to previous years back around 2008, the governance and transparency of reporting has improved considerably" (not stated);
- (e) "The finance officer could have more input at committee meetings" (not stated);
- (f) "Overall they provide a very good service to YPO and are very responsive to urgent matters when required" (Member);
- (g) "Overall the service seems to have been good but there needs to be more transparency as to how much the charges are and how they are approved" (officer).

5. Additional Commentary

- 5.1 The purpose of the work was to cover specifically service quality, and the emphasis was on that aspect rather than charging, or charging arrangements.
- 5.2 It is noted that there is an observation about charges from an officer in the survey (4.5g), and it is true that charges are not clearly stated or discussed in front of officers at Strategic Officers Advisory Group, or Members at Management Committee.
- 5.3 The Management Agreement does not specially state a methodology for setting charges, and it must be acknowledged that the selection of the lead authority was not on the basis of a price competition.
- 5.4 However, as part of this study, the reviewers did ascertain charging approaches. There are Service Level Agreements in place, using the rates that apply for internal charging by Wakefield Council e.g. internal audit at a daily rate. The main ones with a proactive element are based on a fixed charge "for services" such as finance and governance/monitoring advice, and the officers responsible for providing these activities said that only the event of a need for a very high level of additional unplanned input would additional charging be considered.

6. Conclusions

- 6.1 The overall conclusions from both the discussions and the survey are that the services are provided by Wakefield Council to YPO are of a very good quality, with very few issues raised.
- 6.2 YPO show most features that would be expected of a strong and willing client. Wakefield officers take the view that their role is to advise rather than instruct. They note that occasionally, that YPO officers need to show continuous awareness that YPO is a local authority joint committee, which needs to follow local authority governance protocols; YPO is not a private organisation.
- 6.3 There are particularly strong relationship and high level of confidence between the Chief Executive and Directors of YPO and the Monitoring Officer and Chair of the Strategic Officers Advisory Group. In addition, the relationship is strong between the Chief Executive and Directors of YPO and the Finance Advisor from Wakefield who provides strategic advice. These same individuals are also held in high regard by survey participants.
- 6.4 There were no concerns raised about the quality of internal audit (which by its activity provides assurances to the owning authorities) with this service seen as “good”.
- 6.5 The only areas which potentially merit attention are those that relate to:
 - (a) Human Resource advice relating to higher level posts (appointments, grading etc.): it is an area where there is always a potential for difficulty because of conflicts of professional and personal interest, and an area where the lead authority ought to be able to provide dispassionate advice and effective leadership for the Management Committee.
 - (b) The interface between the Chief Executive of the YPO and the Chief Executive of Wakefield as lead authority: there may be scope to develop a relationship with the new Wakefield Chief Executive that enables some mentoring and information exchange, although it may also be useful for the YPO to develop its own interface for this activity.
- 6.6 The Management Agreement does not currently recognise the need for the lead authority to act as statutory transport manager.

7. Recommendations

- (1) YPO should ensure that matters of strategic importance (with policy, financial or legal implications) are only raised at YPO Management Committee following consultation with Wakefield advisors.
- (2) YPO and Wakefield should ensure that YPO financial reporting is always clear, reasonably simple, concise and makes clear key points of importance.
- (3) YPO and Wakefield should work together to achieve an effective set of treasury management arrangements in respect of YPO funds.
- (4) The Member Authorities should consider if Wakefield Council should have a formal role in oversight of the subsidiary companies of YPO.
- (5) The Management Agreement should be amended to oblige YPO to have a statutory external audit.
- (6) The holding of the commercial vehicles operator's licence should be a part of the services covered by the Management Agreement.
- (7) YPO and Wakefield generally, but Wakefield Human Resources in particular, need to agree how Wakefield can provide and lead on matters of sensitivity related to HR matters of senior employees of YPO.
- (8) YPO under Wakefield guidance could produce a workforce plan that may reduce the risk associated with (7) above.
- (9) Wakefield should consider (with the other owning authorities) if there should be any formal management relationship or responsibilities required of the Wakefield Chief Executive in respect of the YPO Chief Executive.
- (10) The YPO Chief Executive and new Wakefield Chief Executive should consider how they might effectively work together in respect of promotion of YPO issues into the West Yorkshire and regional agenda.

Dennis Heywood, the independent director of YPO was also asked for his views on this report. He has commented that the report “ pretty accurately reflect my own views formed over the last 2 years plus that I have been involved with YPO”.

Tony Quail Knowsley Council
Martin Dearnley Kirklees Council

March 2017

	<p style="text-align: center;">YPO</p> <p style="text-align: center;">MANAGEMENT COMMITTEE</p> <p style="text-align: center;">TO BE HELD ON</p> <p style="text-align: center;">24TH MARCH 2017</p>
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SUBJECT: PRE AUDIT - STATEMENT OF ACCOUNTS 2016

REPORT OF: FINANCIAL CONTROLLER

1 PURPOSE OF REPORT

- 1.1 To present the Pre-Audit Statement of Accounts for 2016.

2 SUMMARY

- 2.1 The draft Statement of Accounts has been prepared and is ready for External Audit.

3 RECOMMENDATIONS

- 3.1 That it is noted that the draft Statement of Accounts is ready for audit.

4 BACKGROUND

- 4.1 In accordance with the Accounts and Audit Regulations, 2015 and taking into account relevant accounting codes of practice and applicable accounting standards, a Statement of Accounts has been prepared.
- 4.2 Although the compliance noted in 4.1 is no longer mandatory for YPO, as a Joint Committee, it was agreed at Management Committee in March 2016 that a non-statutory audit would still be needed and the accounts would be prepared in line with the relevant standards and regulations.
- 4.3 The audit is expected to commence on 20th March and will conclude on or around 31st March 2016.

- 4.4 The pre-audit statement of accounts has been examined by officers from the Lead Authority.
- 4.5 Property valuations were obtained from Norfolk Property Services as at 9th December 2016 and adjustments to the accounts have been made in accordance with UK Generally Accepted Accounting Principles.
- 4.6 The pensions account has been adjusted in accordance with the recent actuarial valuation provided.

5. PROFIT & LOSS RECONCILIATION

- 5.1 On page 10 of the attached Statement of Accounts is the Comprehensive Income and Expenditure (I&E) Account. A further quality review of these accounts has identified that some overhead expenditure costs were allocated to the incorrect profit and loss line within the Statement of Accounts. Whilst the net surplus/deficit remains unchanged a revised Income and Expenditure Account is attached as appendix 2 to this paper.
- 5.2 The I&E Account for 2016 presents a net deficit for the provision of service of (£4.039m). This is in comparison to profits of £7.426m reported in Note 16 "Amounts reported for Decision making and planning" and £7.332m in December's performance report.
- 5.3 The variance between the I&E account and the amounts reported for decision making and planning of (£11.465m) is due to the deficit on the provision of service including all financing and investment expenditure. Therefore, all pension service costs (£0.962m), pension interest costs of (£0.593m), dividends payments made in the year of (£8.798m) and earmarked reserve expenditure of (£1.112m) are all included.
- 5.4 The variance between the I&E account and December's performance report (£11.371m) is again mainly due to the factors mentioned in 5.3 above (£11.465m) but also includes further adjustments made during a final review of 2016's accounts, amounting to £0.094m. This included a saving of £0.120m within operating expenses due to the release of previously accrued backdated costs, this saving is partially offset by an increase in depreciation charges of (£0.026m) due to a revaluation adjustment of our land and buildings.
- 5.5 The above variances are detailed in appendix 3 to this report.

6 OPTIONS APPRAISAL

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

7. WHAT DOES THIS MEAN FOR YPO STAKEHOLDERS

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

8. OUTCOME AND SUSTAINABILITY

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

9. RISK ASSESSMENT

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

10. CONSULTATIONS AND ENGAGEMENT

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

11. BACKGROUND PAPERS

- 11.1 Draft Statement of Accounts for 2016.

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APPENDICES:

Appendix 1: Revised Comprehensive Income and Expenditure Account 2016
Appendix 2: Reconciliation of Deficit on Provision of Service to Year End Profits
Appendix 3: Draft Statement of Account 2016

Appendix 1: Revised Comprehensive Income and Expenditure Account 2016

Comprehensive Income and Expenditure Account

2015		2016
£'000		£'000
117,404	<i>Invoiced Turnover</i>	113,904
<u>(86,673)</u>	<i>Cost of Sales</i>	<u>(83,926)</u>
30,731	<i>Gross Margin</i>	29,978
199	Discounts	142
4,902	Rebates	4,335
2,310	Other Income	2,905
<u>38,142</u>	<i>Gross Surplus</i>	<u>37,361</u>
	<i>Operating Expenses</i>	
(16,766)	Employees	(17,705)
(1,078)	Premises	(1,115)
(6,037)	Supplies and Services	(6,994)
(4,725)	Transport	(4,583)
(179)	S.L.A. Costs	(102)
1,057	Financial and Miscellaneous	(143)
(1,048)	Depreciation and revaluation increase/(decrease)	(475)
(1,051)	Pension service gain(cost) net of charges made to the general fund	(962)
<u>(29,827)</u>	<i>Net Operating Expenditure</i>	<u>(32,079)</u>
<u>8,316</u>	<i>Surplus/(deficit) on trading operations</i>	<u>5,282</u>
	<i>Other Operating expenditure</i>	
0	Gain/(Loss) on Disposal of Property, Plant and Equipment	0
<u>0</u>		<u>0</u>
	<i>Financing and investment income and expenditure</i>	
(624)	Pensions Interest Cost and Expected Return on Pension Assets	(593)
80	Interest Receivable	70
(8,472)	Dividend paid	(8,798)
<u>(9,016)</u>		<u>(9,321)</u>
<u>(701)</u>	<i>Surplus/(Deficit) on provision of service</i>	<u>(4,039)</u>
	<i>Other Comprehensive income and expenditure</i>	
3,500	Actuarial gains / (losses) on pension assets / liabilities	(11,513)
(60)	Gains / (losses) on revaluations of PPE and depreciation	0
<u>3,440</u>		<u>(11,513)</u>
<u>2,739</u>	<i>Total comprehensive Income and Expenditure</i>	<u>(15,552)</u>

Appendix 2: Reconciliation of Deficit on Provision of Service to Year End Profits

2016 Profit and Loss Reconciliation

	A	B	C	D	Variance		
	Comp I&E (Original)	Comp I&E (Revised as per Appendix 2)	Amounts reported for decision making and planning	December 2016 Performance Report	B-C	B-D	Comments
Invoiced Turnover	113,904	113,904	113,904	113,905	0	(1)	Minor Sales adjustment.
Cost of Sales	(83,926)	(83,926)	(83,926)	(83,939)	(0)	13	Release of backdated and duplicate accrued costs.
Gross Margin	29,978	29,978	29,978	29,966	0	12	
Discounts	142	142	142	142	(0)	(0)	
Rebates	4,335	4,335	4,335	4,335	0	(0)	
Other Income	2,348	2,905	2,905	2,912	0	(7)	Minor adjustment to inter-company recharge to YPO Supplies.
						0	
Gross Surplus	36,804	37,360	37,360	37,355	0	5	
Operating Expenses							
Employees	(17,739)	(17,705)	(17,583)	(17,603)	(122)	(102)	£122K of Reserve Expenditure. Further £20K of released accruals.
Premises	(1,115)	(1,115)	(940)	(942)	(175)	(173)	£175K of Reserve Expenditure. Further £2K of released accruals.
Supplies and Services	(6,403)	(6,994)	(6,178)	(6,271)	(816)	(723)	£816K of Reserve Expenditure. Further £93K of released accruals.
Transport	(4,583)	(4,583)	(4,583)	(4,583)	0	0	
S.L.A. Costs	(102)	(102)	(102)	(102)	0	0	
Financial and Miscellaneous	(143)	(143)	(143)	(143)	(0)	(0)	
Depreciation and revaluation increase/(decrease)	(475)	(475)	(475)	(449)	0	(26)	£26K revaluation adjustment.
Pension service gain(cost) net of charges made to the general fund	(962)	(962)			(962)	(962)	Pension service costs.
Net Operating Expenditure	(31,522)	(32,079)	(30,005)	(30,094)	(2,074)	(1,985)	
Surplus/(deficit) on trading operations	5,281	5,281	7,356	7,262	(2,074)	(1,981)	
Financing and investment income and expenditure							
Pensions Interest Cost and Expected Return on Pension Assets	(593)	(593)			(593)	(593)	Pension Interest costs.
Interest Receivable	70	70	70	70	0	0	
Dividend paid	(8,798)	(8,798)			(8,798)	(8,798)	Dividend payment in the year.
Surplus/(Deficit) on provision of service	(4,039)	(4,039)	7,426	7,332	(11,465)	(11,371)	

YORKSHIRE PURCHASING ORGANISATION



PRE-AUDIT STATEMENT OF ACCOUNTS 2016

41 Industrial Park • Wakefield • WF2 OXE

Narrative Statement by the Managing Director

1. INTRODUCTION

This document is the Statement of Accounts for the Yorkshire Purchasing Organisation. The Statement of Accounts shows the Organisation's financial performance for the year ended 31st December 2016. The foreword and financial summary provides a guide to the most significant matters in the financial statements.

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

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

The membership consists of:

Founder Member Authorities

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

Associate Member Authorities

first year of membership

Bury Metropolitan Borough Council	2011
Cumbria City Council	2011
Durham City Council	2011
Leeds City Council	2011
North East Lincolnshire Council	2011
North Lincolnshire Council	2011
Sheffield City Council	2011
Cheshire East Council	2012
East Riding of Yorkshire Council	2012
Hull City Council	2012
Rochdale Metropolitan Borough Council	2012
South Yorkshire Fire and Civil Defence Authority	2012
South Yorkshire Police Authority	2012
Stockport Metropolitan Borough Council	2012
Trafford Council	2012
Warrington Borough Council	2012
West Yorkshire Fire and Civil Defence Authority	2012
West Yorkshire Police Authority	2012
Blackpool Borough Council	2013
Lancashire Fire & Rescue Service	2013
London Borough of Hillingdon	2013
Malvern Hills District Council	2013
Manchester City Council	2013
Northumberland County Council	2013
Staffordshire City Council	2013
West Midlands Fire & Rescue Authority	2013
Wiltshire Fire and Rescue Service	2013
Wyre Forest District Council	2013
Birmingham City Council	2014
Kettering Borough Council	2014
London Borough of Harrow	2014
Walsall Council	2015
Tameside Council	2015
Lancaster City Council	2015
Cheshire Fire and Rescue Service	2016
Coventry City Council	2016
Craven District Council	2016
Fylde Council	2016
Greater Manchester Fire and Rescue	2016
Greater Manchester Police	2016
Halton Borough Council	2016
Lancashire Police	2016
London Borough of Brent	2016
London Borough of Hackney	2016
London Borough of Waltham Forest	2016
Liverpool City Council	2016
Merseyside Fire and Rescue Service	2016
Merseytravel	2016
Oldham Council	2016

Narrative Statement by the Managing Director

Salford City Council	2016
Sefton Borough Council	2016
Solihull Metropolitan Borough Council	2016
Wyre Council	2016

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

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

2. ACCOUNTABILITY AND FINANCIAL REPORTING

There is no longer a statutory requirement for YPO, as a joint committee, to have an external audit. However, in March 2016 the Management Committee and Section 151 Officer of the lead authority agreed that YPO should continue to prepare, each year, a statement of accounts in accordance with the C.I.P.F.A Code of Practice that is subject to an external audit. Consequently, this will be a non-statutory audit meaning that compliance with the Accounts and Audit Regulations 2015 is not mandatory.

3. THE STATEMENTS

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

Core Statements

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

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

The Balance Sheet shows the value as at the 31st of December 2016 of the assets and liabilities recognised by the Organisation. The net assets of the Organisation (assets less liabilities) are matched by the reserves held by the Organisation.

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

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

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

Narrative Statement by the Managing Director

4. FINANCIAL SUMMARY

The 2016 budget approved in November 2015 was for a turnover of £125m and a surplus of £9.2m, excluding any income for pensions interest or expenditure financed from earmarked reserves.

Invoiced sales for the year are £113.9m and the reported surplus on trading of £7.4m is under the budget set of £9.2m by £1.8m, this excludes any income for pensions interest or expenditure financed from earmarked reserves.

Turnover targets for the year included growth aspirations which haven't fully materialised. However, the ability to meet these targets have also been impacted by adverse market conditions, particularly within the early years, primary and secondary education sectors. With overall spending across these areas reducing by around 6% in the year the organisation's focus shifted to one of customer retention with elements of exploring new opportunities. Therefore whilst an adverse variance in sales of £11.1m may seem worrying it is important to appreciate that maintaining, and in some sectors increasing, market share is equally as significant.

Income from stock and framework contracts at £4.3m were under the budget of £4.8m, mainly due to emergency services and energy framework contributions being lower than expected.

During 2016 we have benefited from additional catalogue contribution income of £0.641m. This was due to the invoices raised in regards to the 2016 catalogue being significantly greater than that forecasted at 31st December 2015.

Operating costs for 2016 were £30m, £0.280m over budget. The main contribution for the adverse variance was an overspend across promotional activity and IT software costs. These overspends were partially offset through savings in distribution costs which were a result of the downturn in turnover and orders fulfilled.

In 2016 £1.112m of expenditure was funded through the internal earmarked reserve funds. This was planned expenditure approved at the November 2015 Management Committee. The initial funding of this was through the surplus made in 2015.

Trade debtors are at £8.0m, £0.2m less than in 2015. An aged debt analysis shows that debts older than 12 months have dropped from £0.143m in 2015 to £0.061m in 2016.

The net assets of the organisation as at 31st December 2016 are £11.2m, significantly less than £26.8m in last years accounts. Whilst cash balances of £14m and the general fund balance of £28.8m remain healthy and available to fund future growth and capital investment requests, the reduction in value is due to an increase in the pension liability of £13m, details of which are noted below.

Cash flow movement in the year has reduced the cash at bank balances by £3m. This reflects the operating performance of the organisation in the year and reconciles to the in-year profits, dividends paid, and movements in debtors and creditors as per the cash flow statement. There has been minimal capital expenditure in the year and no other extraordinary movement in cash. It is also expected that future cash flows will only be effected by the day to day operations of the organisation.

During the year £0.006m was spent on capital items. These related to additional costs incurred during the integration of the access control system.

An agreed dividend distribution of £9.230m for the trading year 2015 was distributed in September 2016. This distribution, as last year, included all customers.

No acquisitions or discontinuation of operations were made during 2016.

Narrative Statement by the Managing Director

5. RETIREMENT BENEFITS

The value of the organisation's retirement benefits liability as at 31 December 2016 was £29.9 million (31 December 2015 £16.8 million). This increase in liability is attributable to actuarial losses due to changes in the financial assumptions. Increases in rates of inflation, pension and salary costs all contribute to this.

These assumptions are detailed in note 7.

The employer's contribution rate was 12.1% for Jan to Mar 2016 and 11.9% from April.

(see note 7 to Core Financial Statements - Retirement Benefits)

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

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

6. SIGNIFICANT MATTERS

The budget submission for the 2016 financial year was given approval by the Management Committee at the meeting in November 2015. The budget was built on assumptions of growth in core business keeping the Operating Costs to Sales ratio at 22.9% which has gone up to 25.4% in 2016's performance.

A dividend distribution of £9.230m declared in respect of the 2015 trading year, was distributed in September 2016 which reflected the increased performance during 2015. This included a non cash loyalty bonus of £2.1m payable to individual customers by way of a voucher to be used against future purchases of product.

YPO Procurement Holdings and its subsidiary YPO Supplies Ltd began trading with YPO Joint Committee in 2014. Board members for YPO Procurement Holdings and YPO Supplies are also members of the Joint Committee board and therefore all transactions in 2016 between the above companies are classed as related party transactions.

7. MEDIUM TERM FINANCIAL STRATEGIES

The 2017 budget was approved by the Committee in November 2016 as the final year of our three year strategy. This current strategy originally focused on continuous growth through developing new markets and offerings. However, the impact of external factors has re-focused the plan for 2017 to ensure that customer retention is also a main focal point along with introducing a process for performance management and efficiency generation. A medium term financial strategy has also been drawn up alongside the 2017 budget, this assesses the implications today's actions will have over the next 2-5 years and what impact it will have on future profits and financial position.

Simon Hill
Managing Director

Statement of Responsibilities

THE ORGANISATION'S RESPONSIBILITIES

The Organisation is required to:

- make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Organisation that officer is the Assistant Chief Executive, Resources & Governance of the Serving Authority, Wakefield MDC. Day to day financial management is the responsibility of the Managing Director YPO.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

THE RESPONSIBILITIES OF THE ASSISTANT CHIEF EXECUTIVE, RESOURCES & GOVERNANCE

The Assistant Chief Executive, Resources & Governance is responsible for the preparation of the Organisation's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the code).

In preparing this statement of accounts, the Assistant Chief Executive, Resources & Governance has:

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

The Assistant Chief Executive, Resources & Governance has also:

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

THE ASSISTANT CHIEF EXECUTIVE, RESOURCES & GOVERNANCE

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Yorkshire Purchasing Organisation at 31st December 2016 and its Income and Expenditure for the year then ended.

.....

MICHAEL CLEMENTS

Assistant Chief Executive, Resources & Governance

APPROVAL OF THE ACCOUNTS

As the Chair of the body considering the Yorkshire Purchasing Organisation's Statement of Accounts for 2016, I certify that the Accounts have been approved by the Management Committee and are authorised for issue.

.....

Cllr LES SHAW

Chairman YPO Management Committee

Auditors Opinion



MOVEMENT IN RESERVES STATEMENT

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

2015	£000's										
	Usable Reserves			Unusable Reserves							Note
	General Fund Balance	Capital Receipt Reserve	Internal Investment Reserve	Joint Committee Capital Adjustment Account	Earmarked Pension Reserve	Earmarked Accumulated absences account	Revaluation Reserve	Total Usable reserves	Total Unusable reserves	Total Reserves	
Balance as at 31 December 2014	29,507	85	1,830	11,263	(18,652)	(69)	62	31,422	(7,396)	24,025	13
Movement in Reserves during 2015											
Surplus or (Deficit) on Operations	(701)							(701)	0	(701)	
Other Comprehensive Income					3,500		(60)	0	3,440	3,440	
Total Comprehensive Expenditure and Income	(701)	0	0	0	3,500	0	(60)	(701)	3,440	2,739	
Adjustments between accounting basis and funding basis under regulation											
Net Increase / (Decrease) before transfer to Earmarked Reserves	(701)	0	0	0	3,500	0	(60)	(701)	3,440	2,739	
Transfer (to) / from Earmarked Reserves	1,496		473	(249)	(1,675)	(44)	(1)	1,969	(1,969)	0	
Increase / (Decrease) in Movement in Year	795	0	473	(249)	1,825	(44)	(62)	1,268	1,471	2,739	
Balance as at 31 December 2015	30,302	85	2,303	11,014	(16,827)	(113)	0	32,690	(5,925)	26,765	

2016	£000's										
	Usable Reserves			Unusable Reserves							Note
	General Fund Balance	Capital Receipt Reserve	Internal Investment Reserve	Joint Committee Capital Adjustment Account	Earmarked Pension Reserve	Earmarked Accumulated absences account	Revaluation Reserve	Total Usable reserves	Total Unusable reserves	Total Reserves	
Balance as at 31 December 2015	30,302	85	2,303	11,014	(16,827)	(113)	0	32,690	(5,925)	26,765	
Movement in Reserves during 2015											
Surplus or (Deficit) on Operations	(4,039)							(4,039)	0	(4,039)	
Other Comprehensive Income					(11,513)		0	0	(11,513)	(11,513)	
Total Comprehensive Expenditure and Income	(4,039)	0	0	0	(11,513)	0	0	(4,039)	(11,513)	(15,552)	
Adjustments between accounting basis and funding basis under regulation											
Net Increase / (Decrease) before transfer to Earmarked Reserves	(4,039)	0	0	0	(11,513)	0	0	(4,039)	(11,513)	(15,552)	
Transfer (to) / from Earmarked Reserves	2,555		(533)	(469)	(1,555)	1	0	2,023	(2,023)	(0)	
Increase / (Decrease) in Movement in Year	(1,484)	0	(533)	(469)	(13,068)	1	0	(2,017)	(13,536)	(15,553)	
Balance as at 31 December 2016	28,818	85	1,770	10,545	(29,895)	(111)	0	30,673	(19,462)	11,213	

Comprehensive Income and Expenditure Account

2015		2016	
<u>£'000</u>		<u>£'000</u>	<u>Note</u>
117,404	<i>Invoiced Turnover</i>	113,904	1(b),6
<u>(86,673)</u>	<i>Cost of Sales</i>	<u>(83,926)</u>	
30,731	<i>Gross Margin</i>	29,978	
199	Discounts	142	
4,902	Rebates	4,335	1(b),6
2,310	Other Income	2,348	1(b),6
<u>38,142</u>	<i>Gross Surplus</i>	<u>36,804</u>	
	<i>Operating Expenses</i>		
(16,766)	Employees	(17,739)	
(1,078)	Premises	(1,115)	
(6,037)	Supplies and Services	(6,403)	
(4,725)	Transport	(4,583)	
(179)	S.L.A. Costs	(102)	
1,057	Financial and Miscellaneous	(143)	
(1,048)	Depreciation and revaluation increase/(decrease)	(475)	1(e),8
(1,051)	Pension service gain(cost) net of charges made to the general fund	(962)	1(h),7
<u>(29,827)</u>	<i>Net Operating Expenditure</i>	<u>(31,522)</u>	
<u>8,316</u>	<i>Surplus/(deficit) on trading operations</i>	<u>5,282</u>	
	<i>Other Operating expenditure</i>		
0	Gain/(Loss) on Disposal of Property, Plant and Equipment	0	
<u>0</u>		<u>0</u>	
	<i>Financing and investment income and expenditure</i>		
(624)	Pensions Interest Cost and Expected Return on Pension Assets	(593)	1(h),7
80	Interest Receivable	70	
(8,472)	Dividend paid	(8,798)	
<u>(9,016)</u>		<u>(9,321)</u>	
<u>(701)</u>	<i>Surplus/(Deficit) on provision of service</i>	<u>(4,039)</u>	
	<i>Other Comprehensive income and expenditure</i>		
3,500	Actuarial gains / (losses) on pension assets / liabilities	(11,513)	
(60)	Gains / (losses) on revaluations of PPE and depreciation	0	
<u>3,440</u>		<u>(11,513)</u>	
<u>2,739</u>	<i>Total comprehensive Income and Expenditure</i>	<u>(15,552)</u>	

BALANCE SHEET

The Balance Sheet shows the value as at 31st December 2016 of the assets and liabilities recognised by the Organisation. The net assets of the Organisation (assets less liabilities) are matched by the reserves held by the Organisation.

31st Dec 2015 £'000		31st Dec 2016 £'000	Note
ASSETS AND LIABILITIES			
Long term Assets			
Property, Plant and Equipment			
9,240	Land and Buildings	9,058	1(e),8
1,032	Vehicles, Furniture & Equipment	784	1(e),8
69	Intangible Assets	30	1(e),8
10,341	Total Long Term Assets	9,872	
Current Assets			
12,544	Inventories	12,213	1(m),9
11,827	Short term debtors	12,353	1(u),10
17,237	Cash and cash equivalents	14,214	
41,608	Total Current Assets	38,780	
Current Liabilities			
(8,357)	Short term creditors	(7,543)	1(v),11
(8,357)	Total Current Liabilities	(7,543)	
33,251	Net Current Assets	31,236	
Long term Liabilities			
(16,827)	Liability relating to Defined Benefit Pension Scheme	(29,895)	1(h),7
26,765	Net Assets	11,213	
Financed by:			
Usable Reserves			
30,302	General Fund	28,818	
85	Usable Capital Receipts Reserve	85	1(g),13
2,303	Internal Investment reserve	1,770	1(g),13
Unusable Reserves			
11,014	Joint Committee Capital Adjustment Account	10,545	1(g),13
(16,827)	Pension Reserve	(29,895)	1(h),7,13
(113)	Earmarked Accumulated Absences Account	(111)	1(g),13
0	Revaluation Reserve	0	1(g),13
26,765	Total Reserves	11,213	

CASH FLOW STATEMENT

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

2015 £'000		2016 £'000
(701)	Net surplus/(deficit) on the provision of service	(4,039)
	Adjustment to the net surplus/(deficit) for non cash movements	
1,048	Depreciation and revaluation increase/(decrease)	475
(1,912)	(Increase)/Decrease in Inventories	331
2,474	(Increase)/Decrease in Debtors	(526)
1,675	(Increase)/Decrease in Pension Liability	1,555
71	Increase/(Decrease) in Creditors	(813)
(1,272)	Redemption of loyalty vouchers	(1,690)
<u>2,084</u>		<u>(668)</u>
	Adjustments for items included in the net surplus/(deficit) that are financing/investing activities	
8,339	Proceeds from sale of PPE	8,798
<u>8,339</u>	Dividend payment	<u>8,798</u>
9,722	Net cash flows from operating activities	4,091
	Investing Activities	
(798)	Purchase of PPE	(6)
0	Proceeds from Sale of PPE	0
<u>(798)</u>		<u>(6)</u>
	Financing Activities	
(7,067)	Dividends paid to Members	(7,108)
<u>(7,067)</u>		<u>(7,108)</u>
1,857	Net Increase/(Decrease) in Cash and Cash Equivalents	(3,023)
15,379	Cash and Cash Equivalents at the beginning of the reporting period	17,237
<u>17,237</u>	Cash and Cash Equivalents at the end of the reporting period	<u>14,214</u>

Note on operating activities		
	The cash flows from operating activities include the following items	
80	Interest Receivable	70
80		70

Notes to the Core Financial Statements

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

1. STATEMENT OF ACCOUNTING POLICIES

GENERAL PRINCIPLES

As a Joint Committee, YPO is no longer required to comply with the Accounts and Audit regulations 2015. However, it has been agreed that YPO will continue to produce a statement of accounts in accordance with the C.I.P.F.A Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and Service Reporting Code of Practice 2015/16, supported by International Financial Reporting Standards (IFRS).

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

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

The following policies have been adopted in compiling the accounts:

Fundamental Accounting Concepts:

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

a. ACCRUALS OF INCOME AND EXPENDITURE

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

b. TURNOVER

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

c. OVERHEADS

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

d. COMPONENTISATION OF NON CURRENT ASSETS

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

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

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

Notes to the Core Financial Statements

e. NON CURRENT ASSETS

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

The latest valuation date of land and buildings was 9th December 2016, and was carried out by J Duck FRICS of NPS Humber Ltd.

- iv) Non-current Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

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

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

- v) Where a revaluation loss on a non current asset is recognised as part of a review or a valuation exercise it is accounted for as a charge against the Comprehensive Income and Expenditure Account where there is no or insufficient accumulated gains in the Revaluation Reserve which all losses can be written off.
 - vi) When a non-current asset is disposed of, or decommissioned, any gain or loss on the disposal is credited or charged to the Comprehensive Income and Expenditure Statement. The gain or loss is calculated by reference to the difference between the sale proceeds of the asset and the value of the asset in the balance sheet plus any material costs of disposal. Any revaluation gains in the Revaluation Reserve, relating to the asset disposed of, are transferred to the Joint Committee Capital Adjustment Account.
- Receipts from disposals are credited to the Usable Capital Receipts Reserve and can be used for new capital investment. Receipts are appropriated to the Usable Capital Receipts Reserve from the Movement in Reserves Statement.
- vii) Depreciation has been provided for using the straight-line method on Buildings (excluding land), Vehicles and Equipment and is charged from the time the asset becomes operational. The useful lives of the various assets held on the Asset Register are as follows:

Freehold Buildings	2016
41 Industrial Park	46 years
Flanshaw Way	41 years
Motor Vehicles	up to 5 years
Warehouse and Office Equipment	up to 15 years
Computers	up to 5 years

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

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

f. INTANGIBLE FIXED ASSETS

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

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

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

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

g. RESERVES

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

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

h. EMPLOYEE BENEFITS

Notes to the Core Financial Statements

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

Benefits payable during employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non monetary benefits (e.g. cars) for current employees and are recognised as an expense in the year in which employees render service. An accrual is made for the cost of holiday entitlements (or any form of leave) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at average salary rate. The accrual is charged to the Comprehensive Income and Expenditure Statement but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

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

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

Post Employment Benefits

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

The Local Government Pension Scheme

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

Liabilities are discounted to their value at current prices, using a discount rate of 2.7% on funded liabilities and 2.7% on unfunded liabilities (based on a weighted average of "spot yields" on AA rated corporate bonds).

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

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

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

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

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

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

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

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

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

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

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

Discretionary Benefits

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

Notes to the Core Financial Statements

i. TAXATION

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

j. EXCEPTIONAL ITEMS, EXTRAORDINARY ITEMS AND PRIOR YEAR ADJUSTMENTS

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

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

k. EVENTS AFTER THE BALANCE SHEET DATE

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

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

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

l. INTEREST RECEIVABLE/PAYABLE

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

m. INVENTORIES

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

n. LEASES

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

YPO accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to YPO. Rental payments under finance leases are apportioned between the finance charge and the reduction of the outstanding lease obligation (deferred liability). Fixed Assets held under finance leases are accounted for as part of Property, Plant and Equipment. No assets were held on finance leases as at 31st December 2016.

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

o. CONTINGENT LIABILITIES & ASSETS

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

p. PROVISIONS

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

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

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

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

q. FINANCIAL INSTRUMENTS

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

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

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

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

Notes to the Core Financial Statements

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

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

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

r. ESTIMATION TECHNIQUES

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

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

s. CASH & CASH EQUIVALENTS

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

t. FOREIGN CURRENCY TRANSLATION

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

u. DEBTORS

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

v. CREDITORS

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

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

The Organisation has not been impacted through any accounting standards adopted since the last accounting period.

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

The Code of Practice on Local Authority Accounting 2015/16 requires the Organisation to disclose information relating to the impact on the financial statements as a result of the adoption by the Code of a new standard that has been issued, but is not yet required to be adopted by the Organisation. There are no new accounting standards due to come into force in the next year.

The Organisation does not expect any significant changes however all the standards will be fully assessed and adopted where necessary in the 2017 Statement of Accounts.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

Leasing

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

Related Party Transactions

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

Asset ownership

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

Invoicing of direct supply goods

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

Notes to the Core Financial Statements

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

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

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

Pensions Liability

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

These assumptions interact in complex ways and could produce a range of different results depending on the mix of changes in assumptions. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of around £2.128m.

Framework Contract Income

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

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

Property, Plant & Equipment

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

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

Foreign currency transactions

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

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

5. MATERIAL ITEMS OF INCOME AND EXPENDITURE

During 2016 there have been several items of material income and expenditure that have been reflected in this statement of accounts. The main ones are;

Invoiced turnover in 2016 was £113.9m, £11.1m below the budget for the year and down on last year by £3.5m. A reduction in sales across most selling categories has contributed to this with Directs Furniture and School supplies the largest adverse variance against budget.

An additional £0.641m of catalogue contribution income has been taken in the year due to an under accrual of expected income in the 2015 year end accounts.

An agreed dividend distribution of £9.230m for the trading year 2015 was distributed in September 2016. This distribution included all customers. As at the 31st December 2016 there was a balance of £432K of loyalty vouchers unredeemed.

6. TURNOVER

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

7. RETIREMENT BENEFITS

Participation in pension schemes

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

The organisation participates in the Local Government Pension Scheme (LGPS), administered by the West Yorkshire Pension Fund (WYPF). This is a funded defined benefit final salary scheme, meaning that the organisation pays contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. The employers' rate of contribution for January to March 2016 was 12.1% and from April to December was 11.9%. Employees contributions in 2016 were between 5.5% and 12.5% depending on salary.

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

Notes to the Core Financial Statements

Transactions relating to post - employment benefits

The Organisation is required to recognise the cost of retirement benefits when employees earn them, rather than when they are actually paid to pensioners. However the charge made against the general fund balance is limited to the employer's contributions payable to the Pensions Fund in the year, so the real cost of retirement benefits is reversed out in the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the Statement of Movement in Reserves Statement during the year.

	Funded	Unfunded	Total	Funded	Unfunded	Total
	2015 £'000	2015 £'000	2015 £'000	2016 £'000	2016 £'000	2016 £'000
Comprehensive Income and Expenditure Account						
Cost of Service						
Current Service Cost	2,567	0	2,567	2,511	0	2,511
Past Service (Gain)/Cost	80	0	80	0	0	0
Curtailment (Gain)/Loss		0	0		0	0
Financing and investment income and Expenditure						
Net interest Expense	592	32	624	561	32	593
Total Post Employment Benefit Charged to the surplus or Deficit on the Provision of Services	3,239	32	3,271	3,072	32	3,104
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement						
Remeasurement of the net defined benefit liability						
Return on plan assets (gains)/losses	232	0	232	(11,444)	0	(11,444)
Actuarial (Gains) and losses-demographic assumptions	0	0	0	0	0	0
Actuarial (Gains) and losses-experience	(274)	(6)	(280)	(750)	(16)	(766)
Actuarial (Gains) and losses-financial assumptions	(3,436)	(16)	(3,452)	23,618	105	23,723
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(239)	10	(229)	14,496	121	14,617
Movement in Reserves Statement						
Reversal of net charges made to the comprehensive Income and Expenditure account for post employment benefits in accordance with the Code	(3,239)	(32)	(3,271)	(3,072)	(32)	(3,104)
Actual amount charged against the General Fund balance for pensions in the year:						
- employer's contributions to the pension scheme	1,532		1,532	1,485		1,485
-retirement benefits payable to pensioners		64	64		64	64
Total Charge against the General fund	(1,707)	32	(1,675)	(1,587)	32	(1,555)

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

	Males		Females	
	2015	2016	2015	2016
Rating to base table	0	0	0	0
Scaling to base table rates	105%	105%	100%	100%
Cohort improvement factors	CMI2012	CMI2012	CMI2012	CMI2012
Minimum underpin to improvement factors	1.50%	1.50%	1.50%	1.50%
Future lifetime from age 65 (currently aged 65)	22.6	22.7	25.5	25.6
Future lifetime from age 65 (currently aged 45)	24.8	24.9	27.8	28

Pension assets and liabilities recognised in the Balance Sheet

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

	Funded		Unfunded	
	2015	2016	2015	2016
	£000s	£000s	£000s	£000s
Pension Assets and Liabilities				
Recognised in the Balance Sheet				
Fair value of assets	71,953	85,381	0	0
Present value of the defined benefit obligation	(87,863)	(114,302)	(917)	(974)
Net liability arising from defined benefit obligation	(15,910)	(28,921)	(917)	(974)

Notes to the Core Financial Statements

Reconciliation of Fair Value of the Scheme Assets

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

	2015	2016
	£'000	£'000
Balance at 1st January	70,337	71,953
Interest income	2,452	2,651
Remeasurement gains/ (losses) on assets	(232)	11,444
Employer contributions	1,532	1,485
Contributions by scheme participants	790	811
Benefits paid	(2,926)	(2,963)
Balance at 31st December	71,953	85,381

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

	Funded Liabilities		Unfunded Liabilities	
	2015	2016	2015	2016
	£'000	£'000	£'000	£'000
Balance at 1st January	(88,018)	(87,863)	(971)	(917)
Current Service Cost	(2,567)	(2,511)		
Interest Cost	(3,044)	(3,212)	(32)	(32)
Contributions by scheme participants	(790)	(811)		
Remeasurement gains and (losses)				
<i>Actuarial gains and (losses) - demographic assumptions</i>	0	0		
<i>Actuarial gains and (losses) - financial assumptions</i>	3,436	(23,618)	16	(105)
<i>Actuarial gains and (losses) - experience</i>	274	750	6	16
Benefits paid	2,926	2,963	64	64
Past service costs and curtailments	(80)	0		
Balance at 31st December	(87,863)	(114,302)	(917)	(974)

Local Government Pension Scheme Assets

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

	Assets held	
	2015	2016
Equity investments	75.00%	76.00%
Property	4.60%	4.40%
Bonds	15.20%	14.50%
Other assets *	5.20%	5.10%
TOTAL	100.0%	100.0%

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

Basis for estimating assets and liabilities

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

The principal assumptions used by the actuary have been:

	Funded element		Unfunded element	
	2015	2016	2015	2016
Mortality assumptions				
Longevity at 65 for future pensioners				
Men	24.8 years	24.9 years		
Women	27.8 years	28.0 years		
Longevity at 65 for current pensioners				
Men	22.6 years	22.7 years	22.6 years	22.7 years
Women	25.5 years	25.6 years	25.5 years	25.6 years
Rate of Inflation (RPI)	3.00%	3.20%	2.90%	3.20%
Rate of Inflation (CPI)	1.90%	2.10%	1.80%	2.10%
Rate of Increase in Salaries	3.40%	3.60%	-	-
Rate of Increase in Deferred Pensions	1.90%	2.10%	-	-
Rate of Increase in Pensions	1.90%	2.10%	1.80%	2.10%
Rate for discounting scheme liabilities	3.70%	2.70%	3.60%	2.70%
Take-up of option to convert annual pension into retirement lump sum	75.00%	75.00%		

Notes to the Core Financial Statements

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

Impact on the Defined benefit Obligation in the Scheme

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

Increase in Assumption £000	Decrease in Assumption £000
3,386	(3,365)
582	(576)
1,580	(1,557)
(2,128)	2,168

Impact on the Organisation's Cash Flows

The liabilities show the underlying commitment that the Organisation has in the long run to pay post employment / retirement benefits. The total liability of £29.895m has a substantial impact on the net worth of the organisation as recorded in the balance sheet. Arrangements for funding the deficit mean that the financial position of the organisation remains healthy.

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

The contributions expected to be made by the Organisation to the Local Government Pension Scheme in the year to 31st December 2017 are £1.532m. In addition, contributions towards the unfunded obligations will be required. Expected contributions for the discretionary benefits in the year to 31st December 2017 are £0.064m.

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

The scheme will need to take account of the national charges to the scheme under the Public Pensions Services act 2013 Under the act, the Local Government pension Scheme in England and Wales and other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits.

Notes to the Core Financial Statements

8. Property Plant and Equipment

As at 31 December 2016, the Organisation held the following assets

Property plant and equipment were predominantly represented by 48 Delivery vehicles (2015 = 48), 93 Container units (2015 = 93) and Land and Buildings comprising of one general supplies warehouse and office complex located at 41 Industrial Park, Wakefield and one located at Flanshaw Way, Wakefield (no change from 2015).

Property Plant and Equipment

Cost or valuation

Opening balance 1 January 2016
Acc depreciation write out to gross carrying amount
Revaluation increase / (decrease) recognised in the Revaluation Reserve
Revaluation increase / (decrease) recognised in the I&E
Additions
Impairment
Disposals

At 31 December 2016

Depreciation and impairments

Opening balance 1 January 2016
Charge for depreciation 2016
Disposals
Impairment
Acc depreciation write out to gross carrying amount
Revaluation

At 31 December 2016

Net Book Value at 31 December 2016

Net Book Value at 1 January 2016

	Land & Buildings £'000	Furniture & Equipment £'000	Computers £'000	Vehicles £'000	TOTAL £'000
Opening balance 1 January 2016	9,240	732	925	3,336	14,233
Acc depreciation write out to gross carrying amount	(156)			-	(156)
Revaluation increase / (decrease) recognised in the Revaluation Reserve		-	-	-	0
Revaluation increase / (decrease) recognised in the I&E	(26)	-	-	-	(26)
Additions	0	6	0	-	6
Impairment					
Disposals					
At 31 December 2016	9,058	738	925	3,336	14,057
Opening balance 1 January 2016	0	387	847	2,727	3,961
Charge for depreciation 2016	156	49	17	188	410
Disposals		-	-	-	0
Impairment		-	-	-	0
Acc depreciation write out to gross carrying amount				-	0
Revaluation	(156)	-	-	-	(156)
At 31 December 2016	0	436	864	2,915	4,215
Net Book Value at 31 December 2016	9,058	302	61	421	9,842
Net Book Value at 1 January 2016	9,240	345	78	609	10,272

2015 Comparative

Property Plant and Equipment

Cost or valuation

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

At 31 December 2015

Depreciation and impairments

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

At 31 December 2015

Net Book Value at 31 December 2015

Net Book Value at 1 January 2015

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

Notes to the Core Financial Statements

8a. Intangible Assets

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

31st Dec 2016	Intangible Assets £'000
Cost or valuation	
Opening balance 1 January 2016	118
Additions	
Impairment	
Disposals	
At 31 December 2016	118
Amortisation and impairments	
Opening balance 1 January 2016	49
Amortisation charge for 2016	39
Impairment	
Disposals	
At 31 December 2016	88
Net Book Value at 31 December 2016	30
Net Book Value at 1 January 2016	69

2015 Comparative	Intangible Assets £'000
Cost or valuation	
Opening balance 1 January 2015	118
Additions	
Impairment	
Disposals	
At 31 December 2015	118
Amortisation and impairments	
Opening balance 1 January 2015	10
Amortisation charge for 2015	39
Impairment	
Disposals	
At 31 December 2015	49
Net Book Value at 31 December 2015	69
Net Book Value at 1 January 2015	108

9. Inventories

31st Dec 2016	Warehouse Stock £000's	Packing and Materials £000's	Total £000's
Opening inventory balance	12,489	55	12,544
Purchases	61,657	373	62,030
Recognised as an expense in year	(61,804)	(365)	(62,169)
Reduction of Stock in Transit accrual	(60)	-	(60)
Reversals of write offs in previous years	4	-	4
Provision for stock write off	(135)	-	(135)
Closing Inventory balance	12,150	63	12,213

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

Notes to the Core Financial Statements

10. DEBTORS AND PAYMENTS IN ADVANCE

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

	31st Dec 2015 £'000	31st Dec 2016 £'000
Trade Debtors	8,271	8,053
Accumulated Absences	4	7
Less - Provision for Bad Debts	(57)	(66)
	8,218	7,994
Payments in Advance and accrued income	3,609	4,359
Total	11,827	12,353

Debtors are analysed by the following categories

Trade debtors

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

	31st Dec 2015 £'000	31st Dec 2016 £'000
central government bodies	1	0
other local authorities	5,229	5,736
NHS bodies	24	27
public corporations and trading funds	0	0
bodies external to general government (i.e. all other bodies).	3,018	2,289
	8,271	8,053

Payments in advance and accrued income

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

central government bodies	-	-
other local authorities	-	-
NHS bodies	-	-
public corporations and trading funds	-	-
bodies external to general government (i.e. all other bodies).	3,609	4,359
	3,609	4,359

11. CREDITORS AND RECEIPTS IN ADVANCE

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

	31st Dec 2015 £'000	31st Dec 2016 £'000
Trade Creditors	5,210	5,693
Accruals	2,871	1,764
VAT	159	-32
Accumulated absences	116	118
Total	8,357	7,543

Creditors are analysed by the following categories

Trade creditors

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

	31st Dec 2015 £'000	31st Dec 2016 £'000
central government bodies	-	-
other local authorities	47	47
NHS bodies		
public corporations and trading funds	5,163	5,646
bodies external to general government (i.e. all other bodies).	5,210	5,693

Accruals/VAT

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

central government bodies	159	-32
other local authorities	770	607
NHS bodies		
NHS bodies	-	-
public corporations and trading funds	-	-
bodies external to general government (i.e. all other bodies).	2,217	1,275
	3,147	1,850

Long Term Liabilities

Liability relating to Defined Benefit Pension Scheme

Total	16,827	29,895
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	31st Dec 2015 £'000	31st Dec 2016 £'000
Liability relating to Defined Benefit Pension Scheme	16,827	29,895
	16,827	29,895

Notes to the Core Financial Statements

12. RISK TO FINANCIAL INSTRUMENTS

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

Bank balances are held in UK bank accounts and earn interest based on aggregated overnight investments rates determined by our banking providers. Risks to cash arise in the form of banking failures within the UK.

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

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

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

	2015 £'000	2016 £'000
Two to six months	2,148	1,890
Six months to one year	248	222
More than one year	143	61
Total	2,539	2,173

A general provision of £66k (2015 £57k) has been included against all debtors. Bad debt calculations are based on the debtor type and agreed upon with the sales ledger manager.

13. MOVEMENTS IN RESERVES

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

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

Reserve	31st Dec 2015 £'000	31st Dec 2016 £'000	Net Movement in the Year £'000	Note
<u>Usable reserves</u>				
General Fund Balance	30,302	28,818	(1,484)	i
Capital Receipts Reserve	85	85	0	ii
Internal Investment Reserve	2,303	1,770	(533)	iii
<u>Unusable reserves</u>				
Joint Committee Capital Adjustment Account	11,014	10,545	(469)	iv
Earmarked Pension reserve	(16,827)	(29,895)	(13,068)	v
Earmarked Accumulated Absences Account	(113)	(111)	1	vi
Revaluation reserve	0	0	0	vii
Total reserves	26,765	11,213	(15,553)	

Notes to the Core Financial Statements

- (i) The General Fund Balance represents the accumulated operating surplus of the Organisation and is maintained at a prudent level, to protect the Organisation against unforeseen events and the realisation of contingent liabilities. Included within the overall General Fund balance is the Financial Stability Fund which as at 31st December 2016 had a balance of £2m.

	2015 £'000	2016 £'000
General fund balance		
Balance bought Forward 1st of January	29,507	30,302
Surplus or deficit on operations	(701)	(4,039)
Total comprehensive income and expenditure	(701)	(4,039)
Depreciation and impairment	1,048	475
Revaluation losses (gains)		
Capital expenditure charged to the GF	(798)	(6)
Transfer of cash sale proceeds		
Use of UCRR to fund capital expenditure		
Reversal of IAS 19 charges to I&E	3,271	3,104
Employer's pension contributions	(1,596)	(1,549)
Movement in employee absence accrual	44	(2)
Total voluntary adjustments	1,969	2,023
Pension Contribution Reserve	-	-
Internal Investment Reserve	(473)	533
Total transfers to/from cash reserves	(473)	533
Total transfers to/from earmarked reserves	1,496	2,556
Balance Carried Forward 31st December	30,302	28,818
Movement in year represented in the Movement in Reserves Statement	795	(1,484)

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

	2015 £'000	2016 £'000
Usable Capital Receipts Reserve		
Balance bought Forward 1st of January	85	85
Amounts Received		
General receipts	-	-
Amounts Applied		
New Capital Investment	-	-
Balance Carried Forward 31st December	85	85
Movement in year represented in the Movement in Reserves Statement	-	-

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

	2015 £'000	2016 £'000
Internal Investment Reserve		
Balance bought Forward 1st of January	1,830	2,303
Transferred to Reserves		
Reserves for specific projects created in year	1,161	580
Amounts Applied		
Reserve balances utilised in year	(688)	(1,112)
Amounts released back to the General Fund		
Reserve balances no longer required and released back to the General Fund		
Balance Carried Forward 31st December	2,303	1,770
Movement in year represented in the Movement in Reserves Statement	473	(533)

Notes to the Core Financial Statements

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

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

Joint Committee Capital Adjustment Account	2015 £000	2016 £000
Balance brought Forward 1st of January	11,263	11,014
Brought Forward adjustment		
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	(1,048)	(475)
Revaluation (losses) gains on property plant and equipment		
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	-	-
Adjusting amounts written out of Revaluation Reserve	1	0
	10,217	10,539
Net Written out amount of the cost of non-current assets consumed in the year		
Capital financing applied in the year		
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-
Capital expenditure charged against the General Fund	798	6
	11,014	10,545
Balance Carried Forward 31st December	11,014	10,545
Movement in year represented in the Movement in Reserves Statement	(590)	(469)

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

Earmarked Pension Reserve	2015 £000	2016 £000
Balance bought forward 1st January	(18,652)	(16,827)
Actuarial Gains or (losses) on pension assets and Liabilities	3,500	(11,513)
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(3,271)	(3,104)
Employers pensions contributions and direct payments to pensioners payable in year	1,596	1,549
Movement on Assets and Liabilities in year	(16,827)	(29,895)
Movement in year represented in the Movement in Reserves Statement	1,825	(13,068)

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

Earmarked Accumulated Absences Account	2015 £000	2016 £000
Balance bought forward 1st January	(69)	(113)
Settlement or cancellation of accrual made in preceding year	69	113
Amount to be accrued for current year	(113)	(111)
Amount to be charged to the Comprehensive Income and Expenditure Statement	(44)	1
Balance as at 31st December	(113)	(111)
Movement in year represented in the Movement in Reserves Statement	(44)	1

Notes to the Core Financial Statements

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

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

	2015 £000	2016 £000
Revaluation Reserve		
Balance brought Forward 1st of January	62	0
Upward revaluation of assets	-	-
Difference between fair value depreciation and historical cost depreciation	(1)	0
Revaluation written out to the General Fund	(60)	0
Adjusting amounts written out of the Joint Committee Capital Adjustment Account		
Balance Carried Forward 31st December	0	0
Movement in year represented in the Movement in Reserves Statement	(62)	(0)

14. EMPLOYEE EMOLUMENTS

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

REMUNERATION BAND £	No of Employees	
	2015	2016
50,000 - 54,999	2	2
55,000 - 59,999	5	2
60,000 - 64,999	1	3
65,000 - 69,999	-	-
70,000 - 74,999	2	-
75,000 - 79,999	-	-
TOTAL	10	7

The table below sets out the remuneration disclosure (Board of Directors) whose salary is £50,000 per year or more by job title. Comparative figures for 2015 are also shown and these officers are excluded from the above table.

2016						
Post	Salary incl. BiK	Expenses	Pay in Lieu of Notice	Redundancy Pay	Pension Contributions	Total Remuneration
Managing Director	126,532	-	-	-	14,592	141,123
Executive Director	94,871	-	-	-	10,542	105,413
Executive Director	93,512	-	-	-	10,542	104,054
Assistant Director	82,239	-	-	-	9,228	91,467
	397,153	-	-	-	44,905	442,058

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

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

Notes to the Core Financial Statements

EXIT PACKAGE £	No. of compulsory redundancies		No. of other departures		Total no. of exit packages		Total cost of exit packages	
	2015 No.	2016 No.	2015 No.	2016 No.	2015 No.	2016 No.	2015 £,000's	2016 £,000's
0 - 20,000	6	-	-	1	6	1	69	13
20,001 - 40,000	1	-	-	-	1	-	27	-
40,001 - 60,000	-	-	-	1	-	1	-	45
60,001 - 80,000	-	-	-	-	-	-	-	-
Total	7	0	0	2	7	2	96	58

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

15. OPERATING LEASES

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

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

	2015 £000	2016 £000
Not later than one year	209	275
Later than one year and not later than five years	387	423
Later than five years	2,262	2,233
	2,858	2,931

Amounts charged, in respect of these leases, to the Comprehensive Income and Expenditure Statement during 2016 were £470k (2015 £490k) of which £29K was rent of Flanshaw Way. The later than five years figure is comprised entirely of a long term lease agreement on the land element of a warehouse property held at Flanshaw Way in Wakefield.

16. AMOUNTS REPORTED FOR DECISION MAKING AND PLANNING

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

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

2015 £'000	YPO Profit & Loss	2016 £'000
	Trading	
72,448	Stores	71,924
16,445	Food	15,625
28,510	Directs	26,355
117,404	Total Invoiced Sales	113,904
(86,673)	Cost of Sales	(83,926)
30,731	Gross Margin	29,978
199	Discounts	142
4,902	Rebates	4,335
2,310	Other Income	2,348
38,142	Total Income	36,804
	Operating Costs	
(16,572)	Employment costs	(17,617)
(1,007)	Premises	(940)
(5,616)	Supplies and Services	(5,587)
(4,725)	Transport	(4,583)
(179)	SLA costs	(102)
1,057	Financial & Misc	(143)
(1,048)	Depreciation	(475)
(28,089)	Total Operating Costs	(29,448)
80	Interest (payable)/receivable	70
-	Profit/(loss) on disposal of assets	-
-	Dividend paid	-
-	Pension costs	-
10,133	Surplus or (deficit)	7,426

Notes to the Core Financial Statements

2015 £'000	Reconciliation of P&L Account to I&E Account	2016 £'000
10,133	Net Profit in P&L Account	7,426
(10,835)	Amounts in the Comprehensive Income and Expenditure Statement not reported to management	(11,465)
-	Amounts included in the P&L not included in the Comprehensive Income and Expenditure Statement	-
(701)	Surplus/(Deficit) on provision of service	(4039)

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

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

YPO Profit & Loss 2016	P&L Acct £'000	Amts not Alloc'n of rptd for mgt reporting dec making expenses		I&E Statement £'000
		£'000	£'000	
Total Invoiced Sales	113,904	-	-	113,904
Cost of Sales	(83,926)	-	-	(83,926)
Gross Margin				
Discounts	142	-	-	142
Rebates	4,335	-	-	4,335
Other Income	2,348	-	-	2,348
Total Income	36,804	0	-	36,804
Operating Costs				
Employment costs	(17,617)	-	-	(17,617)
Premises	(940)	-	-	(940)
Supplies and Services	(5,587)	-	-	(5,587)
Transport	(4,583)	-	-	(4,583)
SLA costs	(102)	-	-	(102)
Financial & Misc	(143)	-	-	(143)
Depreciation	(475)	-	-	(475)
Total Operating Costs	(29,448)	0	-	(29,448)
Interest (payable)/receivable	70	-	-	70
Profit/(loss) on disposals		-	-	0
Dividend paid		(8,798)	-	(8,798)
Earmarked reserves funding		(1,112)	-	(1,112)
Pension costs		(1,555)	-	(1,555)
Surplus or (deficit) on provision of service	7,426	(11,465)	-	(4,039)

YPO Profit & Loss 2015	P&L Acct £'000	Amts not Alloc'n of rptd for mgt reporting dec making expenses		I&E Statement £'000
		£'000	£'000	
Total Invoiced Sales	117,404	-	-	117,404
Cost of Sales	(86,673)	-	-	(86,673)
Gross Margin				0
Discounts	199	-	-	199
Rebates	4,902	-	-	4,902
Other Income	2,310	-	-	2,310
Total Income	38,142	0	-	38,142
Operating Costs				
Employment costs	(16,572)	-	-	(16,572)
Premises	(1,007)	-	-	(1,007)
Supplies and Services	(5,616)	-	-	(5,616)
Transport	(4,725)	-	-	(4,725)
SLA costs	(179)	-	-	(179)
Financial & Misc	1,057	-	-	1,057
Depreciation	(1,048)	-	-	(1,048)
Total Operating Costs	(28,089)	0	-	(28,089)
Interest (payable)/receivable	80	-	-	80
Profit/(loss) on disposals		-	-	0
Dividend paid		(8,472)	-	(8,472)
Earmarked reserves funding		(688)	-	(688)
Pension costs		(1,675)	-	(1,675)
Surplus or (deficit) on provision of service	10,133	(10,835)	-	(701)

Notes to the Core Financial Statements

17. RELATED PARTY TRANSACTIONS

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

Transactions with Founder Member Authorities are shown here for clarity. Founder member authorities are not classified as related parties under the Code of Practice or for the purpose of group accounting but have joint control over the Organisation's decision making and business planning. In addition to the founder members the Organisation has 53 associate members who have no influence over Organisational decision making.

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

The value of business transacted with each founder member was:

	2015	2016
	£'000	£'000
Barnsley	14,850	17,096
Bolton	13,688	9,998
Bradford	24,049	25,108
Calderdale	10,355	11,901
Doncaster	18,279	15,868
Kirklees	20,705	27,367
Knowsley	7,287	9,820
North Yorkshire	21,941	22,882
Rotherham	13,257	13,231
St Helens	9,741	11,138
Wakefield	21,157	21,333
Wigan	15,353	16,387
York	7,798	6,461
	198,461	208,590

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

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

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

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

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

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

	Transactions Value (Ex VAT) for the year £	Outstanding Balance as at 31st Dec 2016 £
YPO Procurement Holdings	-	-
YPO Supplies Ltd	1,170,634	247,815

18. AUDIT COSTS

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

	2015 £000	2016 £000
Audit Costs		
Fees payable to KPMG with regard to external audit services carried out by the appointed auditor	29	23

Notes to the Core Financial Statements

19. EVENTS AFTER THE BALANCE SHEET DATE

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

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

Glossary of Terms

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

Accounting Period

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

Actuarial Gains and Losses

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

Accumulated Absences

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

Annual Governance Statement

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

Asset

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

Audit of Accounts

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

Budget

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

Cash equivalents

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

Cash equivalent vouchers

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

Current Assets

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

Defined Benefit Plans

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

Depreciation

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

Direct Supply

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

Where items of income or expense are material, their nature and amount is disclosed separately,

either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Organisation's financial performance.

Finance Lease

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

Financial Instrument

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

Financial Procedure Rules

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

Impairment

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

International Accounting Standards (IAS)

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

International Financial Reporting Standards (IFRS)

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

Inventories

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

Liability

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

Net Book Value

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

Net Expenditure

Gross expenditure less specific income.

Outturn

Actual income receivable and expenditure due in a financial year.

Payments in Advance

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

Prior year adjustments

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

Remuneration

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits

received other than in cash. Pension contributions payable by the employer are excluded.

Reserve

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

Turnover


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

Useful life

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

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	<p style="text-align: center;">YPO</p> <p style="text-align: center;">MANAGEMENT COMMITTEE</p> <p style="text-align: center;">TO BE HELD ON</p> <p style="text-align: center;">24TH MARCH 2017</p>
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TITLE: INTERNAL AUDIT – ANNUAL REPORT – JANUARY TO DECEMBER 2016

REPORT OF: THE s151 OFFICER

1 PURPOSE OF REPORT

- 1.1 To present the Annual Audit Report (see attached Appendix A) for 2016, in line with the requirements of the Internal Audit Protocol and the Public Sector Internal Audit Standards.
- 1.2 To receive the following Internal Audit Opinion (extract from YPO Annual Governance Statement [AGS] 2016):

“From the work undertaken by Internal Audit during 2016, key controls were found to be in place 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 2016 AGS.”

2 BACKGROUND INFORMATION

- 2.1 The Annual Report, which has been produced in line with the Public Sector Internal Audit Standards, is attached at Appendix A. It presents the Service Manager Internal Audit & Risk’s opinion on the overall adequacy and effectiveness of YPO’s internal control environment, based on the outcomes of audit work undertaken.
- 2.2 The Annual Audit Report was presented to the YPO Audit Sub-Committee on the 10th February 2017 for consideration and comment. They resolved that the Annual Audit Report be recommended to the Management Committee for formal acceptance.

3 STRATEGIC IMPLICATIONS

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

4 FINANCIAL IMPLICATIONS

- 4.1 There are no specific financial implications associated with this report. The programme of audit work during 2016 was completed at a cost to YPO of £45,890, which was in line with the original Annual Audit Plan agreed by Members.

5 LEGAL IMPLICATIONS

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

6 EQUALITY IMPLICATIONS

- 6.1 There are no direct implications relating to equality.

7 RISK IMPLICATIONS

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

8 RECOMMENDATIONS

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

Contact Officers:

Michael Clements, Assistant Chief Executive – Resources & Governance (Wakefield Council)

Telephone No: 01924 305388

E-mail address: mclements@wakefield.gov.uk

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Carl Tweed, Audit Manager (Wakefield Council)

Telephone No: 01924 306054

E-mail address: ctweed@wakefield.gov.uk

Internal Audit Annual Report

YPO

January to December 2016

INTRODUCTION

1. This annual report is produced in line with the requirements of the Public Sector Internal Audit Standards and covers the period January to December 2016. The report feeds back progress and outcomes against the Annual Audit Plan for the period.
2. Members should note that the programme of internal audit work was completed in line with the allocation of days recorded in the original Annual Audit Plan. Any ongoing audit work as at the 31st December 2016 has been included within the Plan for January to December 2017, in line with arrangements agreed with YPO management.

SUMMARY AUDIT OPINION

3. Wakefield Council Internal Audit's overall opinion on the systems of internal control at YPO during 2016, which will be included in YPO's 2016 Annual Governance Statement (AGS), is as follows:

"From the work undertaken by Internal Audit during 2016, key controls were found to be in place 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 2016 AGS."

INTERNAL AUDIT PERFORMANCE

4. In respect of the performance of the Internal Audit Service, the planned work for the period January to December 2016 was substantially completed by the end of December 2016 in line with the days originally agreed.
5. No concerns have been raised regarding the nature and conduct of Internal Audit work by the External Auditor.
6. Wakefield Council Internal Audit Service has been the subject of a Public Sector Internal Audit Standards External Compliance Assessment Peer Review, which was conducted by the Head of Internal Audit at Calderdale Council. An external assessment must be conducted at least once every five years. The current assessment represents the first external assessment of Wakefield's Internal Audit arrangements against these Standards. The report, dated the 20th December 2016, states that the function "Generally Conforms" to the Public Sector Internal Audit Standards and Code of Ethics. "Generally Conforms" is the top rating and means that the Internal Audit activity has a Charter, policies and processes that are judged to be in conformance with the Standards. The findings and suggested actions from the report are being considered in order to develop a Quality Assurance and Improvement Programme which will be used and maintained on an ongoing basis.
7. All Internal Audit work is subject to a quality control process, including formal review of work by the appropriate level of audit management.
8. Five client surveys were issued following completion of the audit assignments referred to in Table 1 below. Four were completed and returned, three with an overall opinion

of 'Very Good' and one with an overall opinion of 'Good', thus achieving the current target of 95% Good / Very Good.

SUMMARY OF AUDIT WORK COMPLETED AND RELATED OPINIONS

9. This section of the report provides details of how Internal Audit has assisted management in fulfilling their responsibilities for operating effective systems of internal control through the provision of audit reviews and agreed action plans. The Audit Sub-Committee receives detailed information and provides challenge to management relating to audit reviews resulting in Partially Effective / Ineffective opinions, or where opinions decrease from one audit to another relating to the same system.
10. Table 1 attached provides details of audit work reported relating to the 2016 Internal Audit Plan. Six reports were issued by Internal Audit. In addition, one report was issued by Wakefield Council's Corporate Fraud Unit, working in liaison with Internal Audit.
11. In addition to these audit reports, Internal Audit resources were utilised within the following areas of activity:
 - 11.1 During the 2016 audit of main financial systems, using data analytics software to analyse payroll variations. The output data was provided to YPO. Some of the findings may be considered for future performance management within YPO.
 - 11.2 Various instances of consultancy / advice-type support throughout the year, including (in liaison with Wakefield Council's Corporate Fraud Unit) advice on various fraud-related matters.
 - 11.3 Producing reports for, and attending, YPO Committee meetings. In addition, together with an officer from KPMG, a training session took place for Audit Sub-Committee Members on the External and Internal Audit relationship.
12. Based on audit work undertaken in 2016, the following points are worthy of note:
 - 12.1 Although two of the three main financial systems examined ('Ordering and Creditors – Working Expenses' and 'Asset Management') had, in the main, appropriate controls established and in place, there were some areas for improvement. Two issues related specifically to Payment Cards, with examples found of there being no signed user agreement and bank statements not being checked in a timely manner by cardholders. Testing found that there were examples of retrospective Working Expenses orders being placed. It was also noted that invoices from Hired Carrier providers could not be fully reconciled to records of expected spend held by YPO transport.

The 'Ordering and Creditors – Business Creditors' system was found to be operating to the required level of control.
 - 12.2 The Payment Card Industry Data Security Standards self-assessment completed by YPO in 2014 resulted in a low compliance score. Although procedural changes had been subsequently made, YPO was still falling short of being fully compliant.

- 12.3 The procedures in place for delivering business planning objectives / priorities were working well. However, it was felt that the links between Board reports and the detailed objectives in the Commercial Activity Plan could be made clearer. The Board would then be able to provide more challenge.
 - 12.4 An audit on IT interface controls relating to information transferred from source to another application found that controls were in place and operating to mitigate the risk of data becoming lost, corrupted, misinterpreted, delayed, duplicated or accessed by unauthorised persons.
 - 12.5 An audit on Security Arrangements examined the extent to which the recommendations made by Zurich during their review of YPO's security (September 2015) had been implemented. It found that good progress had been made. The audit also assessed compliance with YPO's new Security Policy and the CCTV Policy. It found that good progress had been made in ensuring that these policies were complied with.
13. Actions were agreed with YPO management to address the concerns highlighted in paragraph 12. Progress in implementing these agreed actions is monitored by the Audit Sub-Committee. They receive regular progress reports from Internal Audit. In addition, the Audit Sub-Committee also receives occasional reports from YPO management providing an update on progress made in implementing all audit recommendations.

TABLE 1

AUDIT WORK REPORTED RELATING TO THE 2016 INTERNAL AUDIT PLAN

Review Area / Report Date	Audit Opinion
<p>Main Financial Systems 2016 – 19/01/17</p> <ul style="list-style-type: none"> - Implementation of Previously Agreed Actions - Ordering and Creditors – Working Expenses and Hired Carriers - Ordering and Creditors – Business Creditors - Asset Management 	<p>Mostly Implemented</p> <p>Mostly Effective</p> <p>Fully Effective</p> <p>Mostly Effective</p>
Electronic Card Payments – 18/01/17	Partially Effective
Procedures In Place For Delivering Business Planning Objectives / Priorities – 15/12/16	Not Applicable
IT Interface Controls Relating To Information Transferred From Source To Another Application – 24/05/16	Fully Effective
Security Arrangements – 27/04/16	Not Applicable
<p>Main Financial Systems 2015 – 28/01/16</p> <ul style="list-style-type: none"> - Asset Management - Budgetary Control - Business Debtors - Main Accounting - Non-Business Debtors - Ordering and Creditors (Business Creditors) - Ordering and Creditors (Working Expenses and Hired Carriers) - Payroll - Stock Control 	Fully Effective

In addition, Wakefield Council's Corporate Fraud Unit, working in liaison with Internal Audit, issued a report in January 2017 on external procurement fraud by bogus customers. Actions were agreed to reduce the likelihood of orders from bogus customers being accepted.

	<p style="text-align: center;">REPORT TO</p> <p style="text-align: center;">MANAGEMENT COMMITTEE</p> <p style="text-align: center;">TO BE HELD ON</p> <p style="text-align: center;">24TH MARCH 2017</p>
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TITLE: ASSOCIATE MEMBERSHIP APPLICATION

REPORT OF: STRATEGIC RELATIONSHIP MANAGER

1 PURPOSE OF REPORT

- 1.1 Provide details of formal applications for YPO Associate Membership received from strategic customers within key target geographies in London and the South West region.

2 SUMMARY

- 2.1 Applications from:

- Devon County Council
- London Borough of Westminster

- 2.2 Devon County Council has limited historic usage of YPO contractual services although we do enjoy a good level of revenue from schools across the County with 2016 year to date expenditure estimated at £900,000 from over 400 trading customers albeit our market share remains low compared to other geographic regions where YPO is better known so the potential for growth is good. In relation to framework category opportunities, plans are in place for approximately £1 million of spend of specialist vehicles through YPO arrangements in 2017 with further opportunities including the purchase of new Winter Gritting Vehicles and the Hire of Cars and LCV's which currently numbers 40 hires per day. The County Council are also represented on the wider regional collaborative procurement group Devon & Cornwall Procurement Partnership and would be keen to support YPO further engagement across the South West through this group.

- 2.3 The London Borough of Westminster has no current usage of YPO contractual services although we do enjoy a level of engagement and revenue from schools across the borough with 2016 annual turnover at £28.4k from 40 trading customers albeit our market share remains low compared to other geographic regions where YPO is better known so the potential for growth in this sector is good.

Current opportunities for YPO in Westminster include HR Services which is due to be awarded under a YPO framework and Debt Management also within scope of a YPO solution under discussion.

2.4 Further applications are expected in 2017 from the following customers with whom discussions are currently ongoing:

- Wolverhampton City Council
- Worcestershire County Council
- London Boroughs of Havering & Newham

Estimated Baseline Figures 2016

Customer	Stock & Direct	Contractual	Total
Devon County Council	£900k	£0k	£900k
LB of Westminster	£28.4k	£0k	£28.4k

3 RECOMMENDATIONS

- 3.1 This application submitted is recommended for approval as it falls within the criteria established in 2014 for Associate Membership and supports continued growth for YPO nationally providing a platform for further engagement within the South West for the first time.
- 3.2 Growth criteria for membership should be set at £500,000 in line with the agreed criteria established in 2014.
- 3.3 The attached customer application meets the strategic criteria as laid down in the paper previously approved in August 2014 and therefore recommended for approval.

4 BACKGROUND

- 4.1 Devon County Council is the largest local authority in the South West region with a population of over 765,000 based in Exeter. The County has 2 self-governing unitary authorities in Plymouth and Torbay plus 8 shire districts administered by Devon County Council including Exeter, East Devon, Mid Devon, North Devon, West Devon, Teignbridge, Torridge and South Hams.

Devon County Council's responsibilities include schools, social care for the elderly and vulnerable, road maintenance, libraries and trading standards and is the largest employer in Devon, employing over 20,000 people

- 4.2 Westminster City Council is the local authority for the City of Westminster in Greater London. It is a London borough council and is entitled to be known as a city council, which is a rare distinction in the United Kingdom. The city is divided into 20 wards, each electing three councillors and is a Conservative led authority.

The council was created by the London Government Act 1963 and replaced three local authorities: Paddington Metropolitan Borough Council, St Marylebone Metropolitan Borough Council and Westminster City Council.

The borough council provides some shared services with Hammersmith and Fulham, and Kensington and Chelsea so could offer some wider collaborative spend opportunity for YPO based on this arrangement.

5 FINANCIAL IMPLICATIONS

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

- The distributable fund is £9.230m (as per the 2015 dividend distribution).
- The risk proportion of the fund is 30%.
- The usage proportion of the fund is 50%.
- The Loyalty proportion of the fund is 20%.

The opening position would be as follows, as per the 2015 dividend distribution: -

	£ 000's
Members total	6,855
Associates and non-members	2,375
Total	9,230

If the additional income from the new membership was **£1,000,000** as mentioned in section 3.2, then this might translate into an additional profit of around **£50,000**, taking into account the current margins on stock, directs and food, together with the expected income from framework contract rebates. The revised distribution would therefore be as follows:

	New £ 000's	Original £ 000's	Additional £ 000's
Members total	6,892	6,855	37
Associates and non-members.	2,388	2,375	13
Total	9,280	9,230	50

6. LEGAL IMPLICATIONS

6.1 There are no specific legal implications associated with this report.

SERVICE DIRECTOR: PAUL SMITH, EXECUTIVE DIRECTOR

YPO
41 Industrial Park
Wakefield
WF2 0XE

Telephone Number: 01924 834969
Email Address: paul.smith@ypo.co.uk

CONTACT OFFICER: DAVID BEMROSE, STRATEGIC RELATIONSHIP MANAGER

YPO
41 Industrial Park
Wakefield
WF2 0XE

Telephone Number: 01924 834812
Email Address: david.bemrose@ypo.co.uk

APPENDICES:

Appendix 1 - Letter of Application from Devon County Council
Appendix 2 - Application Form from Devon County Council
Appendix 3 – Letter of Application from LB Westminster
Appendix 4 – Application Form from LB Westminster



Corporate Resources

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

Procurement and Estates
Room 120 County Hall
Topsham Road
Exeter
EX2 4QD
Tel: 01392 383000
Email: jon.williams@devon.gov.uk

17th Nov 2016

Dear David

Application for YPO Associate Membership

Daniella & I were very pleased to meet yourself & Neil on Monday this week and learn more about how YPO operate.

You will find attached a completed application form for YPO Associate Membership.

To promote YPO Services to Schools in Devon we would be pleased to mailshot all school but as discuss it would be really good if you could provide a simple YPO flyer to accompany the letter. Ideally setting down some of the key Benefits of Devon Schools using YPO.

I also plan to promote YPO frameworks to the other senior managers in Procurement next week at our monthly meeting. Ideally could you let me have another 8 x copies of the A5 booklet on YPO Frameworks & 1 x copies of your main Catalogue.

We look forward to working more with YPO going forward.

Yours sincerely

/ Jon Williams
Procurement Category Manager – Property, Estates & Fleet

Better value, delivered.



Application for Associate Membership

Name of Authority:

DEVON COUNTY COUNCIL

Address:

COUNTY HALL
TOPSHAM ROAD
EXETER
DEVON

Postcode:

E X 2 4 Q D

Contact Name:

JON WILLIAMS

Position:

PROCUREMENT CATEGORY MGR.

Contact Telephone Number:

01392 38 3000

Contact Email:

Jon.Williams@devon.gov.uk

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

PURCHASED FOR NEXT 12 MONTHS

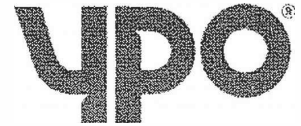
WHEELCHAIR ENABLED MINIBUSES X10 - £650K
WHEELCHAIR ENABLED MPVS X 6 - £150K
OTHER VEHICLES - £50K
OTHER - TBC

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

- WE WILL MAILSHOT ALL DOWN SCHOOLS TO ENCOURAGE THEM TO CONSIDER YPO WITH AN ACCOMPANYING YPO PROMOTIONAL FLYER
- WE WILL MAKE ALL PROCUREMENT CATEGORY MANAGERS OF CURRENT YPO CONTRACT ARRANGEMENT AVAILABLE

Continued overleaf...

Application for Associate Membership



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

- SUPPLY OF WINTER HIGHWAYS EQUIPMENT (eg BRITTONS)
- ELECTRICAL VEHICLE SUPPLIES
- REGIONAL CAR HIRE LOTS
- ACCREDITATION PROVIDER FRAMEWORK.

Please provide details of any potential collaborative opportunities:

WE CONSIDER THAT IT WOULD BE WORTHWHILE ENCOURAGING OTHER MEMBERS OF THE DPP TO BECOME YPO ASSOCIATE MEMBERS AND BUILD UP A GREATER CONCENTRATION OF BUSINESS IN SOUTH WEST REGION TO MAKE REGIONAL LOTS MORE ATTRACTIVE TO SUPPLY CHAIN.

Signed:

Position:

STRATEGIC PROCUREMENT LEADS

Date:

16/11/16

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

David Bemrose
Strategic Relationship Manager

YPO,
41 Industrial Park,
Wakefield,
WF2 0XE

Please tick areas of interest.

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





City of Westminster

Kim Sharpe
Procurement Business Partner – London
YPO
41 Industrial Park
Wakefield
WF2 0XE

Greta Kurkuzinskaite
Category Manager
Westminster City Hall
64 Victoria Street
London
SW1E 6QP

Dear Kim

Re: YPO Associate Membership

Please find enclosed Westminster City Council's application for Associate Membership of YPO.

I look forward to hearing from you.

Yours sincerely

Anthony Oliver
Chief Procurement Officer

Better value, delivered.



Application for Associate Membership

Name of Authority:

WESTMINSTER CITY COUNCIL

Address:

WESTMINSTER CITY HALL
64 VICTORIA ST.
LONDON

Postcode:

S	W	I	E	6	Q	P
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Contact Name:

GRETA KURKUZINSKAITE

Position:

CATEGORY MANAGER

Contact Telephone Number:

0207 641 2149

Contact Email:

GKURKUZINSKAITE@WESTMINSTER.
GOV.UK

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

WE DO NOT CURRENTLY USE ANY YPO FRAMEWORKS.
HOWEVER, GOING FORWARD WE WILL BE CONSIDERING ALL
RELEVANT FRAMEWORKS WHERE APPROPRIATE.

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

WE WILL PROMOTE YPO FRAMEWORKS FOR FORTHCOMING
PROCUREMENTS WHERE APPROPRIATE. THIS WILL BE
PART OF THE SOURCING STRATEGY PLANNING PROCESS.

Continued overleaf...

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

SHOULD THE AGENCY CONTRACT BE AWARDED, THERE IS A POTENTIAL FOR ADDITIONAL SERVICES TO BE ADDED INCREASING THE CONTRACT VALUE. HOWEVER, WE ARE NOT IN A POSITION TO CONFIRM THE % GROWTH.

WE WILL ALSO CONSIDER OTHER LOTS OF THE HR SERVICES AND SOLUTIONS FRAMEWORK TO SEE HOW/IF WE CAN AGGREGATE OUR SPEND IN THIS CATEGORY.

Please provide details of any potential collaborative opportunities:

NONE IDENTIFIED AT THIS STAGE. HOWEVER, WE ARE OPEN TO PARTICIPATION IN OPPORTUNITIES AS THEY ARISE

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

David Bemrose
Strategic Relationship Manager

YPO,
41 Industrial Park,
Wakefield,
WF2 0XE

Please tick areas of interest:

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



YPO
MANAGEMENT COMMITTEE
TO BE HELD ON
24 MARCH 2017

TITLE: DRAFT 2017 YPO INTERNAL AUDIT PLAN

REPORT OF: THE s151 OFFICER

1 PURPOSE OF REPORT

- 1.1 This report is produced by the s151 Officer to provide Members with details of the draft 2017 YPO Internal Audit Plan, which was considered by the YPO Audit Sub-Committee on the 10th February 2017.

2 BACKGROUND INFORMATION

- 2.1 The Audit Sub-Committee received a report at the meeting held on the 4th November 2016, outlining the proposed process for formulating the 2017 YPO Internal Audit Plan, including a template of potential areas of audit activity. Members accepted the proposed process and requested that a detailed draft Audit Plan be presented to a future meeting of the Sub-Committee.
- 2.2 The attached detailed draft 2017 YPO Internal Audit Plan was presented to the Audit Sub-Committee at its meeting on the 10th February 2017, having previously been discussed and agreed with Simon Hill (Managing Director) and Paul Smith (Executive Director). The Plan is based on 125 days of Internal Audit work, at a cost to YPO of £45,022. This is a reduction of 5 days from 2016.
- 2.3 The Audit Sub-Committee resolved that the draft Annual Audit Plan 2017 be submitted to the Management Committee for formal acceptance.
- 2.4 Progress against the approved Internal Audit Plan will continue to be reported to, and monitored by, the Audit Sub-Committee throughout 2017 and an Annual Audit report will be produced and presented to the Management Committee in early 2018.

3 STRATEGIC IMPLICATIONS

- 3.1 Internal Audit's work includes involvement at a strategic level. A number of audits in the draft 2017 Internal Audit Plan are linked to various strategic risks.

4 FINANCIAL IMPLICATIONS

- 4.1 The cost of provision of the Internal Audit function, as referred to in paragraph 2.2 above, has been included within the YPO 2017 Budget. Any proposal to revise these costs during the year will need to be considered against the budget implications.

5 LEGAL IMPLICATIONS

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

6 EQUALITY IMPLICATIONS

- 6.1 There are no direct implications relating to equality.

7 RISK IMPLICATIONS

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

8 RECOMMENDATION

- 8.1 That Members approve the Internal Audit Plan for 2017 attached at Appendix A.

Contact Officers:

Michael Clements, Assistant Chief Executive – Resources & Governance (Wakefield Council)

Telephone No: 01924 305388

E-mail address: mclements@wakefield.gov.uk

Mark St Romaine, Service Manager – Internal Audit & Risk (Wakefield Council)

Telephone No: 01924 302364

E-mail address: mstromaine@wakefield.gov.uk

Carl Tweed, Audit Manager (Wakefield Council)

Telephone No: 01924 306054

E-mail address: ctweed@wakefield.gov.uk

APPENDIX A

YPO

Draft Internal Audit

Annual Plan

2017

INTRODUCTION

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

“Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”

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

AUDIT STRATEGY

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

APPROACH TO SETTING THE 2017 PLAN

11. Having taken into account all relevant factors, the areas to be considered for inclusion within the 2017 Plan were identified, recorded and discussed with Simon Hill (Managing Director) and Paul Smith (Executive Director). The agreed Plan is included as Attachment 1 to this report.
12. The resource envisaged to complete the 2017 Internal Audit Plan is based on 125 days of Internal Audit work, at a cost to YPO of £45,022.

YPO DRAFT INTERNAL AUDIT PLAN FOR 2017

Plan / Risk Area	Rationale For Undertaking Audit	Previous Audit	Comments
Main Financial Systems (35 days)			
<p>Main Financial Systems - annual review and testing.</p> <p>Linked to various finance-related strategic risks.</p> <p>Also linked to YPO operational risk register for Finance.</p>	<p>High volume and value of transactions.</p> <p>Assurance provided to s151 officer and External Auditor.</p>	2016	<p>The nine main financial systems are covered over a three-year cycle.</p> <p>Debtors (Business Income), Debtors (Non-Business Income) and Payroll will be subject to a detailed review in 2017.</p> <p>Ordering & Creditors (Working Expenses including Hired Carriers), Ordering & Creditors (Business Income) and Asset Management were last looked at in detail in 2016.</p> <p>Main Accounting System, Budgetary Control and Stock Control were last looked at in detail in 2015.</p> <p>(To be audited between July and December 2017.)</p>
Other Risk Based Audit Work (70 days)			
<p>Workforce Skills</p> <p>Linked to YPO strategic risk:</p> <p>SR-008 Inadequate workforce skills to support organisational strategy.</p>	<p>If YPO has inadequate workforce skills in place, it could adversely impact upon the achievement of its strategic objectives.</p> <p>Investing in workforce skills is referred to within YPO's three-year strategy.</p>	No previous audit	Undertake testing to confirm that controls exist to mitigate the risk and are working in practice.
Anti-fraud and	Potential impact on	2015	For a sample of risks recorded on

Plan / Risk Area	Rationale For Undertaking Audit	Previous Audit	Comments
<p>bribery arrangements</p> <p>Linked to YPO strategic risk:</p> <p>SR-0006 Financial crime, fraud, bribery and / or corruption.</p> <p>Also linked to Fraud Risk Assessment and Bribery Risk Assessment.</p>	<p>YPO if fraud and / or bribery were to occur.</p>	<p>(Anti-Fraud and Bribery Arrangements, which covered both overall arrangements and procurement fraud)</p>	<p>YPO's Fraud Risk Assessment, undertake testing to confirm that sufficient controls are in place and are working in practice. To also confirm, where necessary, that further actions are being taken to reduce the likelihood of a specific risk materialising.</p>
<p>Sales Forecast / Marketplace</p> <p>Linked to YPO strategic risks:</p> <p>SR-0005 Under achievement of sales forecast.</p> <p>SR-0011 Inability to cope with rapid changes in marketplace.</p>	<p>If YPO has inadequate control measures in place to ensure achievement of the sales forecast (including those to cope with rapid changes in the marketplace), it could adversely impact upon the achievement of the organisation's strategic objectives.</p>	<p>No previous audit</p>	<p>Undertake testing to confirm that controls exist to mitigate the risks and are working in practice.</p>
<p>Procurement Services</p> <p>Linked to YPO operational risk register for Procurement Services.</p>	<p>To provide assurance on the overall levels of control in place to mitigate relevant business risks.</p>	<p>No previous audit specifically on Procurement Services. But previous audits have included Energy Contracts (2012), Framework Contracts (2013) and procurement fraud as part of an audit on Anti-Fraud and Bribery Arrangements (2015).</p>	<p>Undertake testing to confirm that controls exist to mitigate the risks and are working in practice.</p>
<p>Limited company.</p>	<p>Assurance required that appropriate</p>	<p>No previous audit</p>	<p>To examine the various governance controls in the Articles of Association,</p>

Plan / Risk Area	Rationale For Undertaking Audit	Previous Audit	Comments
<p>Linked to YPO strategic risks:</p> <p>SR-0022 Conflict of interest.</p> <p>SR-0023 Dilution of YPO brand.</p>	<p>arrangements are in place and operating in respect of YPO Procurement Holdings Ltd.</p>		<p>the Shareholders Agreement and the Management Services Agreement for adequacy.</p>
<p>IT Change Control</p> <p>Linked to YPO operational risk register for IT.</p>	<p>Assurance required that the implementation of any changes achieves the required outcome and does not adversely impact upon various existing arrangements.</p>	<p>Various IT-related audits, but no recent audit specifically on Change Control.</p>	<p>To examine the controls relating to: (i) testing and transition to live, and (ii) development processes and handover to testing.</p>
<p>Ongoing audit work at year-end.</p> <p>Linked to various YPO risks.</p>	<p>Annual allocation for plan achievement. First priority in new audit year.</p>	<p>Annually</p>	<p>To complete all audits either not started or ongoing at the end of December 2015 year-end, as detailed within Internal Audit's 2015 Annual Report.</p>
Follow Up Audits (5 days)			
<p>Follow up on work undertaken and reported previously.</p> <p>Linked to various YPO strategic and operational risks dependent on full nature of work.</p>	<p>To ensure control issues identified from previous audit reports have been adequately addressed.</p>	<p>2015 (Main Financial Systems Follow Up)</p>	<p>Confirming implementation of agreed actions arising from recent Internal Audit reports, with emphasis placed on reports issued with high priority actions.</p>
Liaison, Consultancy and Advice (15 days)			

Plan / Risk Area	Rationale For Undertaking Audit	Previous Audit	Comments
<p>Input to YPO Committee function.</p> <p>Linked to various YPO strategic and operational risks dependent on full nature of work.</p>	<p>It is essential that Members of the YPO Committees are kept sufficiently informed of Management and Internal Audit activities at YPO.</p>	<p>2016</p>	<p>Preparation of Internal Audit reports to YPO Committees. Attendance at YPO Committee meetings to present Internal Audit reports. Support as necessary to management attending YPO Committee meetings. Input to Member development / training regarding audit-related issues.</p>
<p>Liaison, consultancy and advice.</p> <p>Linked to various YPO strategic and operational risks dependent on full nature of work.</p>	<p>It is essential to respond to Management when advice is requested / required and to ensure adequate liaison takes place with a view to maintaining good working relationships.</p>	<p>2016</p>	<p>Audit resources utilised throughout the year as required.</p> <p>Consultancy role can include involvement in new systems and initiatives to help ensure that adequate controls are included.</p>
<p>Additional Chargeable Activities</p>			
<p>Investigate any areas of suspected fraud / irregularity.</p>	<p>Input by Internal Audit is essential to the proper independent investigation of some alleged irregularities. Poor investigations by others may lead to unacceptable outcomes and a continuance of the irregularity.</p>	<p>Annually</p>	<p>Any work required in this area to be agreed with YPO's senior management and / or Lead Authority Statutory Officers and the Plan adjusted accordingly.</p>

	<p style="text-align: center;">YPO</p> <p style="text-align: center;">MANAGEMENT COMMITTEE</p> <p style="text-align: center;">TO BE HELD ON</p> <p style="text-align: center;">24TH MARCH 2017</p>
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TITLE: CONTRACT STANDING ORDERS AND FINANCIAL PROCEDURE RULES

REPORT OF: CONTRACTING MANAGER AND HEAD OF FINANCE

1. PURPOSE OF REPORT

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

2. BACKGROUND INFORMATION

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

- 2.2 The attached document shows tracked changes. The rationale for those changes is as follows; -

Contract Standing Orders

- 2.3 The only proposed change is to update section 8.2 to reflect the new post title of the Risk and Compliance Manager.

Financial Procedure Rules

- 2.4 A new section (16) has been introduced around the management of credit risk and credit control. This has been included to formalise the arrangements which are currently in place.

3 STRATEGIC IMPLICATIONS

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

4 FINANCIAL IMPLICATIONS

- 4.1 There are no additional costs arising from this report.

5 LEGAL IMPLICATIONS

- 5.1 There are no legal implications arising from this report.

6 EQUALITY IMPLICATIONS

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

7 RISK IMPLICATIONS

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

8 RECOMMENDATIONS

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

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

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APPENDIX:

Appendix 1 - Standing Orders for Contracts and Financial Procedure Rules

Better value, delivered.



Contract Standing Orders & Financial Procedure Rules

Document Control Page

Document Type	Standing Orders
Document Ownership	Corporate Governance
Title of Document	Standing Orders for Contracts and Financial Procedure Rules
Reference Number	
Controlled By	Head of Finance
Created By	Head of Finance / Contracting Manager
Approved By	Board of Directors
Submitted for approval to	Management Committee
Approved	
Maintained By	Head of Finance/Contracting Manager
Publication Date	
Next Review Date	
Current Version	3.0
Distribution	Directors, Managers, Intranet
Replaces Document	Standing Orders for Contracts and Financial Procedure Rules 2016.

YORKSHIRE PURCHASING ORGANISATION

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18. Interpretation

1. DEFINITIONS

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

costs or annual fees (i.e. software licences)

1.14 “OJEU” means the Official Journal of the European Union.

2. INTRODUCTION

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

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

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

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

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

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

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

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

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

3. Responsibility for Observance

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

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

4. Conduct of Members and Employees

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

5. Propriety

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

6. Compliance

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

and Works can be obtained via appropriate, existing, approved and enabled arrangements.

These include:

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

7. Exceptions

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

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

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

8. Freedom of Information

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

8.2 All requests received by the Organisation under FOIA in respect of tenders and contracts should be channelled through YPO's **Risk and Compliance Manager**

immediately upon receipt to enable the Organisation to comply with its Access to Information Policy.

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

9. Equality and Diversity

- 9.1 Contractors, suppliers and service providers will not unlawfully discriminate within the meaning and scope of any law, enactment, order or regulation relating to discrimination (whether in race, gender, religion, disability, sexual orientation, age or otherwise) in employment.
- 9.2 Contractors, suppliers and service provider's will be required to take all reasonable steps to secure the observance of YPO's framework agreement / Contract by all servants, employees or agents of their organisations or those of their suppliers and sub-contractors employed in the execution of the Framework Agreement / Contract.

10. Terms and Conditions

- 10.1 Contracts and Framework Agreements will use YPO's standard terms and conditions. Variations from the standard format must be approved by YPO's Contracting Manager and if necessary legal advice sought. Terms and conditions will be included with tender documents and issued to suppliers as part of the invitation to tender.
- 10.2 Tenderers are expected to accept YPO's Terms and Conditions held within the Framework Agreement or Contract without qualification. Acceptance of qualified terms and conditions will only be made at the Contracting Manager's discretion and written assessment should be made of its implications and held on a central file within the Procurement Operations Team. YPO is not obliged to accept any variation to terms and conditions and in general, any such relaxation will only be granted if it is considered reasonable under the circumstances, provides a commercial advantage to YPO, the level of risk is assessed as acceptable and it does not distort competition between the tenderers
- 10.3 The tender documents should give tenderers the opportunity to raise any queries in relation to the terms and conditions during the "Clarification Question" stage of the process to allow for all queries to be addressed and a response (if required) can be circulated to all tenderers. Any legal queries raised during the tender process should be referred to the Contracting Manager.
- 10.4 The tender documents should also state that any legal queries raised after the deadline for submission of tenders or any included in a tenderers bid submission will not be considered.
- 10.5 Contracts for the execution of Works or the purchase of Goods or Services where urgency is too great to permit the making of a contract in writing will be confirmed in writing at the earliest opportunity.

11. Tendering Process

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

12. Sample Process

- 12.1 Where samples are requested they must be provided in accordance with the instructions in the tender document by the set deadline.
- 12.2 They should be sent to the front reception of YPO site 41 FAO The Procurement Operations Team.
- 12.3 Samples are then required to be held in the sample room until the tender deadline has passed when they will then be passed to the relevant buyer in order to be evaluated.
- 12.4 Samples from successful suppliers shall be stored in the warehouse for the life of the contract.
- 12.5 Samples from unsuccessful suppliers are to be returned to the supplier wherever possible
- 12.6 If the unsuccessful supplier is unable to arrange collection, or does not require the samples to be returned. A list of these products should be submitted to the Asset Management Team who will log this on their "Unsalable Items" Spread Sheet. Items will be used internally, donated to charity or disposed of.

- 12.7 Samples from unsuccessful suppliers should be returned or passed to the Asset Management Team within one (1) month of the award of the contract

13 **Tender Information Obligation**

- 13.1 As part of the Local Government Transparency Code the Organisation has an obligation to publish information on a monthly/quarterly basis in relation to invitations to quote and invitation to tender for all contracts to provide goods and/or services that exceed £5,000.

- 13.2 The information to be published is reference number; title; description of goods/services; start, end and review dates; title of agreement; supplier name and details; sum to be paid over the length of the contract; the process used; whether or not the supplier is a small/medium enterprise and/or a voluntary or community sector organisation and the department responsible for the procurement.

14. **Contracts / Frameworks under £5,000**

- 14.1 This includes any procurement activity (internal or trading spend) involving an estimated aggregate Whole Life Costs value up to £5,000
- 14.2 The procurer may use any reasonable means to source supplier options but the tendering procedure and outcome must be managed by the ETS.

15. **Contracts / Frameworks between £5,000 and £75,000**

- 15.1 This includes any procurement activity (internal or trading spend) involving an estimated aggregate Whole Life Costs value between £5,000 and £75, 000
- 15.2 The procurement must be advertised.
- 15.3 There must be a minimum of three written quotes from selected suppliers unless agreed otherwise by the Procurement Operations Team in exceptional circumstances.
- 15.4 The procedure must be carried out electronically via the ETS with a written record of the specification, the quotations, the evaluation process and notification of award and rejection. This written record must be retained.

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

- 16.1 This includes any procurement activity (internal or trading spend) involving an estimated aggregate Whole Life Costs value between £75,000 and the EU Threshold for Goods, Services and Works.
- 16.2 The procurement activity must be advertised and awarded by the Procurement Operations Team unless agreed otherwise by the Contracting Manager.
- 16.3 The entire process will be overseen and signed off by the Contracting Manager.
- 16.4 The procedure must be carried out electronically via the ETS with a written

record of the specification, the quotations, the evaluation process and notification of award and rejection. This written record must be retained.

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

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

18. Receipt and Opening of Tenders

- 18.1 The receipt and opening of tenders will be undertaken using the ETS unless otherwise agreed by the Procurement Operations Team.
- 18.2 The Procurement Operations Team are responsible for receipting and opening all tenders unless otherwise agreed by the Contracting Manager.
- 18.7 Late tenders may be considered at the discretion of the Contracting Manager, if the Contracting Manager is satisfied that there was reasonable cause for the delay and fair competition has not been compromised. A record of this decision will be held centrally by the Procurement Operations Team.

- 18.8 Using the ETS the Procurement Operations Team will confirm the submissions received are against the correct tender.

19. Examination of Tenders

- 19.1 Tenders submitted in competition shall not be considered if:
- a) The tender is in some way uncertain in its terms and it is unclear what the submission is offering,
 - b) There is evidence that the tender document has been altered without consent.
- 19.2 If a tender requires clarification on a technical or contractual matter all necessary communication must be properly recorded and remain confidential. Such clarification may only be undertaken when the process remains fair to all Tenderers and does not distort competition in any way.
- 19.3 During the period between the closing for the receipt of a tender and award, Tenderers may not seek to amend prices in any way, other than a genuine and obvious error. Such circumstances must be properly recorded on file and competition must not be distorted in any way. Evidence should always be provided that can be tracked back to the original quote.
- 19.4 If variations to specifications are to be examined and considered, tenderers must have been made aware in the invitation to tender document.

20. Acceptance of Tenders

- 20.1 The designated Procurement Officer(s) shall evaluate the tenders and make a recommended contract award based on the most economically advantageous tender to the sign off panel.
- 20.2 In the case of 2 or more tenders being equal, environmental considerations (transport, packaging and the company's environmental standing and performance) may be used to determine the successful bid. If all aspects are still equal the Managing Director shall decide and record the decision.
- 20.3 The proposed award would then be signed off by the tender team.
- 20.4 The relevant company credit checks and any other necessary checks will be carried out by an agreed member of the tender team prior to contract award and copies of any searches and documents retained.
- 20.5 Signed letters of proposed acceptance and rejection shall be sent to Tenderers in the format provided by the Procurement Operations Team initiating a mandatory standstill period before final contract award.
- 20.5 In the event of a request for a de-brief by an unsuccessful tenderer during the standstill period, the debrief will be organised by a member of the Procurement Operations Team in line with YPO's internal best practice. A full record must be kept on file. Meetings will always involve a minimum of two members of YPO's

staff including a member of the Procurement Operations Team. The Procurement Operations Team will advise on how to debrief organisations for under threshold tenders.

- 20.6 If the debrief is not carried out to the satisfaction of the unsuccessful tenderer who then initiates a legal challenge, or if a legal challenge is received without debrief and during the standstill period, the Contracts Officer shall meet with the tender team and the Contracting Manager will be informed and legal advice will be sought.
- 20.7 The acceptance of tenders and related communication will be undertaken using YPO's preferred route of the e-tendering system.

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

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

22 Purchasing

- 22.1 After the award of the Contract / Framework to the successful providers the Contract / Framework agreement must be signed and returned to YPO immediately (subject to point 10.1).
- 22.2 Upon receipt of the above the Managing Director or his/her nominated officer must sign the framework agreement on behalf of YPO in accordance with the levels set out in appendix 1.
- 22.3 Contained within the framework agreement is the Call off Order Form. Before any procurement of the Goods, Services or Works can commence the call off order form must be filled in and issued to the supplier. This activates the Call off Terms and Conditions
- 22.4 If included within the Invitation to Tender documents the Supply Chain Agreement must be signed and returned to YPO.
- 22.5 Any variations to the framework agreement including any specification amendments must be discussed with the Procurement Operations Team to ensure that the variation is not a material change to the contract scope.
- 22.6 Once agreed between the parties the variation form must be completed by either side and signed off by both YPO and the successful supplier. A variation to the framework must be assessed for risk and verified by the Procurement Operations Team before YPO enter into negotiation to vary the framework agreement/ contract.
- 22.7 The Management Information must be provided to YPO by all successful suppliers as part of the framework agreement.
- 22.8 Signatures are required on the Retrospective Payment Certificate to be returned to YPO.

- 22.9 Orders, despatched electronically or on official stationery, should state the quantity (where applicable), an adequate description, the price or the basis of the price, an official purchase order number, delivery date and place and all other relevant conditions.
- 22.10 Verbal orders shall be kept to a minimum and shall be confirmed with an official order marked appropriately as soon as practicable, but in a period of no longer than two (2) working days.
- 22.11 Orders shall be individually identified, sequentially numbered, initiated and issued by the Managing Director or a member of staff specifically authorised for that purpose.
- 22.12 The authorisation of an order will indicate the following:-
- a) That the Goods or Services are necessary for the discharge of the policies and responsibilities of the Organisation.
 - b) That where the Goods or Services are for direct use by the Organisation there is a provision for the cost within the estimates or it is covered by special financial provision.
 - c) Compliance with the Organisation's Financial Procedure Rules and Standing Orders for Contracts.

23 Further Competition

- 23.1 All further competitions should be carried out via the ETS with all Users contacting the Procurement Operations Team prior to commencing any further competition.
- 23.2 The Procurement Operations Team will advise as to the appropriate process.

24. Post Contract Award

- 24.1 Following Contract award the Buyer/Category Manager will be responsible for monitoring delivery of the Framework / Contract including any and all reviews to take place between YPO and the contractor, supplier or service provider. All reviews should be carried out on a regular basis, documented and a copy of the Review undertaken retained for YPO's records.
- 24.2 If any problems are experienced and the contractor, supplier or service provider are failing to comply with the Framework / Contract terms and conditions then the following steps should be taken with the assistance of the Procurement Operations Team:-
- (a) Written records must be kept of all correspondence between both parties, the Buyer/Category Manager shall liaise with the contractor, supplier or service provider to ascertain the root cause of the problem.
 - (b) The contractor, supplier or service provider should be invited to attend a

performance review. At the performance review a list of actions should be agreed between the parties to monitor the future provision of the goods/services. A copy of the minutes of this meeting should be agreed by both parties and a date set for a follow up meeting.

- (c) If contract performance has failed to improve then the Buyer/Category Manager should seek advice from the Procurement Operations Team who will provide advice as to the best remedy and action to be taken.

24.3 **UNDER NO CIRCUMSTANCES** should a Framework Agreement / Contract be terminated without advice from the Procurement Operations Team and the Contracting Manager.

Section 2 Financial Procedure Rules

1. DEFINITIONS

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

2. INTRODUCTION

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

3. RESPONSIBILITY FOR OBSERVANCE

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

significant changes in predicted income or expenditure for the year or any significant risk of such changes.

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

4. BUDGETS

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

Virements / Transfer of budgets.

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

5. INCOME

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

6. STOCKS AND INVENTORIES

- 6.1 The Managing Director shall be responsible for the care and custody of all stocks under his control.
- 6.2 All goods ordered will be received into the warehouse, recorded adequately and subject to adequate controls as agreed by the Managing Director, in consultation where necessary with the Chief Financial Officer.
- 6.3 All stores accounts and records should be subject to adequate controls as agreed by the Managing Director, in consultation where necessary with the Chief Financial Officer. The Managing Director shall arrange for continuous independent checking of all stores items at least once each year.

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

7. DISBURSEMENTS

Payroll

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

- 7.2 The Managing Director shall notify the lead authority on the date and in the manner agreed, of all appointments, dismissals, resignations, absences from duty, suspension, transfers and changes in remuneration (other than normal increments) of employees.
- 7.3 The Managing Director shall be responsible for the correct completion and certification of time and incentive bonus payment records. All payroll data shall be forwarded to the lead authority on the date and in the manner agreed.
- 7.4 Appointments of all employees shall be made in accordance with the regulations of the Organisation and the approved establishment grades and rates of pay.
- 7.5 No officer of the Organisation shall, under cover of their office, accept any fee or reward other than their proper remuneration.

Imprest Accounts / Petty Cash

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

Orders

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

Creditor Payments

- 7.8 Directors or a member of their team (not the same officer as the one issuing the order or incurring the expenditure) authorised by him/her shall be responsible for certifying invoices for payment.
- 7.9 The certification of an invoice shall be deemed to cover: -
- a) That the goods or services have been properly ordered;
 - b) That arrangements have been made to ensure that the goods have been received, examined and approved as to quality and quantity;
 - c) That arrangements have been made to ensure that the work done or service rendered has been satisfactorily carried out and, where applicable, the materials used were to the requisite standard;
 - d) That the prices are in accordance with the contract/quotation or in the absences of either are otherwise reasonable;
 - e) That the invoice is arithmetically correct;
 - f) That the appropriate deductions for discounts will be made and the appropriate terms applied;

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

- 7.10 All copy invoices authorised for payment must be accompanied by a special authority. The authority must be signed by an officer authorised to certify invoices for payment. Any amendment to an account shall be made in ink and initialled by the officer making it, stating briefly the reasons, where they are not self-evident. The officer authorised to certify invoices for payment shall not be the same officer responsible for issuing the order or incurring the expenditure.
- 7.11 The Managing Director shall authorise and examine, so far as he considers necessary, accounts certified for payment, he shall be entitled to receive such information and explanations as he may require.
- 7.12 Payment by Procurement Card will be made only by Officers authorised by the Managing Director to do so, in line with the procedures detailed in the Payment Card Manual. The Managing Director will ensure that all expenditure incurred is compliant with all policies and procedures of the Organisation including Contract Standing orders and Financial Procedure rules. V.A.T receipts will be required for taxation purposes.
- 7.13 Apart from payments from imprest accounts and procurement cards, the normal method of payment of money due from the Organisation shall be by BACS or other instrument drawn by the Chief Financial Officer on the appropriate bank account.

8 CAPITAL AND INVESTMENT REQUIREMENTS

- 8.1 The Managing Director in consultation with the Chief Financial Officer shall prepare and submit an investment requirement statement for the approval of the Management Committee. The statement must state clearly the purpose of the investment expenditure, how it is to be funded, and any ongoing revenue implications. The Managing Director in accordance with the general directions of the Management Committee shall determine the detailed form of the statement and the preparation timetable. Any borrowing requirement must be prepared in liaison with the Treasury Management section of the Lead authority and be agreed with the Chief Financial Officer.
- 8.2 The inclusion of items in the approved statement shall give authority for the Managing Director to incur expenditure without further reference to the Management Committee.

- 8.3 Expenditure may only be incurred in respect of any material investment project not included in the approved investment requirement statement if the Managing Director, as specified in the Managing Director's Scheme of Delegation, consults with the Chairman and/or the Vice Chairman of the Management Committee and the Chief Financial Officer and subsequently submits a report to the Management Committee at the earliest opportunity.
- 8.4 Overspends in excess of the threshold (as stated in appendix 1) may only be incurred in respect of any material investment project included in the statement for the current or succeeding financial year subject to the rules stated in paragraph 8.3 of these Financial Procedure Rules.
- 8.5 Progress reports on individual investment programmes or projects shall be made to the Management Committee at least annually and shall include both physical and financial progress. In any event a full statement of progress and completion will form part of the annual business planning update.
- 8.6 The financing of investments will need to be considered at the inception of any related business case, as well as a determination of whether it is revenue or capital expenditure.
- 8.7 Further information about funding investments can be found in the Capital Policy, which includes definitions of capital expenditure.

9 RESERVES

- 9.1 The Managing Director in consultation with the Chief Financial Officer shall prepare and submit a Reserve creation statement for the approval of the Management Committee. The statement must state clearly the purpose of the reserve. The Managing Director in accordance with the general directions of the Management Committee shall determine the detailed form of the statement and the preparation timetable.
- 9.2 The inclusion of items in the approved statement will give authority for the Managing Director to incur expenditure without further reference to the Management Committee
- 9.3 Any changes to the use of reserves will be subject to consultation by the Managing Director, as specified in the Managing Director's Scheme of Delegation, with the Chairman and/or the Vice Chairman of the Management Committee and the Chief Financial Officer. A report will subsequently be submitted to the Management Committee at the earliest opportunity

10 ACCOUNTING/TAXATION AND STATISTICAL RETURNS

- 10.1 All financial records and systems and any changes thereto shall be subject to the approval of the Managing Director in consultation with the Chief Financial Officer and in accordance with relevant legislation and best practice. The Managing Director shall be responsible for ensuring that such records and systems are properly maintained.
- 10.2 The allocation of accounting duties amongst accounting staff shall segregate the processes of checking balances and handling cash receipts/disbursements.

- 10.3 Financial records shall not be disposed of other than in accordance with arrangements approved by the Managing Director in compliance with legislation).
- 10.4 All matters relating to the taxation of the Organisation shall be the responsibility of the Managing Director (other than those relating to pay which is the responsibility of the Chief Financial Officer).
- 10.5 The publication of financial data and statistical information is the responsibility of the Managing Director in consultation with the Chief Financial Officer and the external auditor where necessary. The Chief Financial Officer has the authority to request such statistical and financial information he/she deems necessary to fulfil his/her statutory responsibilities.
- 10.6 The Managing Director will be responsible for all procedures concerning Value Added Tax and other H.M. Revenue and Customs matters, and for ensuring that appropriate staff are provided with up to date guidance on these matters.

11 INTERNAL AUDIT

- 11.1 The Chief Financial Officer shall carry out an independent and continuous appraisal of accounting, financial and other processes, with the following objectives: -
 - a) To ensure the installation of soundly based systems of control within each area of responsibility within the Organisation
 - b) To review and, where necessary, make recommendations for the improvement of systems, controls and procedures in order to ensure that they are both efficient and effective, that they remain adequate in the light of changing circumstances and are adhered to in practice;
 - c) To assist in protecting the assets and interests of the Organisation by carrying out a continuous examination of activities in order to test the arrangements in place to detect fraud, misappropriation, irregular expenditure and losses due to waste, extravagance and maladministration.
 - d) To monitor compliance with the Anti-Fraud and Bribery Policy.
 - e) To monitor the use of resources in the pursuit of defined objectives of the Organisation;
 - f) To ensure the suitability and reliability of financial and other management data used by the Organisation;
 - g) To report to and advise the Managing Director of appropriate actions to be taken in relation to Financial Procedure Rules, Standing Orders and Standing Orders for contracts.
- 11.2 The Chief Financial Officer or his/her authorised representative shall have authority to: -
 - a) Enter at all reasonable times on any premises or land held on behalf of the Organisation;

- b) Have access on demand to all records, documents and correspondence relating to any financial and other transactions of the Organisation;
 - c) Require and receive such explanations as are necessary concerning any matter under examination,
 - d) Require any employee of the Organisation to produce Organisation stocks or assets under his/her control or to provide information/explanation of matters within his/her area of responsibility.
- 11.3 Whenever any matter arises which involves, or is thought to involve irregularities concerning the finances, stocks or assets of the Organisation or in the exercise of the functions of the authority, the Managing Director shall ensure that this is dealt with in accordance with the Anti-Fraud and Bribery Policy and shall forthwith notify the Chief Financial Officer and Internal Audit of all steps taken and planned and shall take any additional steps required by the Chief Financial Officer.

12 EXTERNAL AUDIT

- 12.1 The Managing Director shall ensure that external auditors are given access at all reasonable times to premises, personnel, documents and assets that the external auditors consider necessary for the purpose of their work.
- 12.2 The Managing Director shall ensure that there is effective liaison between External and Internal Audit.
- 12.3 The Managing Director and Chief Financial Officer shall be the first point of contact with the external auditors and inspectors as they undertake the annual audit and inspection programmes.

13 BANKING ARRANGEMENTS

- 13.1 The Chief Financial Officer shall make all arrangements regarding the opening and operation of any bank accounts relative to the Organisation and shall be responsible for the negotiation of any banking terms.
- 13.2 The Managing Director shall control the ordering and issuing of cheques, and on issue, they shall bear the printed facsimile signature of the Chief Financial Officer or be signed by the Managing Director or other officer authorised by him/her.
- 13.3 All treasury management transactions will be undertaken on behalf of the Organisation by the Chief Financial Officer, in line with the Service Level Agreement (Financial Services) between the Organisation and the Lead Authority.

14 INSURANCE

- 14.1 The Managing Director shall ensure the Organisation has proper insurance cover to meet its needs.
- 14.2 The Managing Director shall affect all insurance cover and negotiate settlement of all claims against such insurance in consultation with the Chief Financial Officer.

- 14.3 Senior Managers shall give prompt notification to the Head of Finance of all new risks, properties or vehicles for which insurance may be appropriate and of any alterations affecting existing insurance arrangements.
- 14.4 Senior Managers shall notify the Head of Finance in writing of any loss, liability or damage incurred which may lead to a claim against the Organisation and inform the Police in cases of loss or malicious damage to Organisation property.
- 14.5 The Managing Director will instruct all employees, or anyone covered by the organisations insurance arrangements, that under any circumstances, they do not admit liability or make any offer to pay compensation.
- 14.6 The Managing Director shall ensure that all appropriate employees of the Council are included in fidelity guarantee insurance.
- 14.7 The Chief Financial Officer shall annually, or at such other period as he/she may consider necessary, review all insurance arrangements.
- 14.8 Senior Managers shall consult the Chief Financial Officer respecting the terms of any indemnity, which the Council is requested to provide.

15 RISK MANAGEMENT

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

16 CREDIT RISK AND CREDIT CONTROL

- 16.1 The Head of Finance will be responsible for managing credit control and credit risk in the organisation.
- 16.2 All new customers will be required to complete an application form which will help to establish their status as a legal entity.
- 16.3 From the application form, details will be obtained to perform a check with a credit reference agency to confirm the identity of the customer.
- 16.4 A credit limit will be set in accordance with the advice of the credit reference agency. In the event that the credit reference agency suggests a nil credit limit, an account will be opened, but only to facilitate the processing of orders where cash has been paid in advance. Should the customer place an order over and above the advised credit limit, a decision will be made by a member of the Senior Leadership Team or a Director in terms of whether or not the order should be processed.
- 16.5 Credit limits from time to time will be increased at the discretion of the Head of Finance. The process will involve a review of the purchasing requirements of the customer, with reference to both their payment history and current credit status.

17 GENERAL

- 17.1 The Managing Director shall produce a Performance Report, in a format that is satisfactory to the Management Committee and the Chief Financial Officer. This will be provided quarterly to the Management committee and on request to members and the Chief Financial Officer.
- 17.2 All reports presented to Management Committee and any sub-committees shall include a paragraph headed 'Financial Implications', which shall provide detailed information on the financial and other resource implications of the course of action proposed. This shall have been provided to the Head of Finance for his/her comments. The paragraph shall be agreed between the Managing Director and the Head of Finance or shall include the views of both
- 17.3 The Managing Director and such Members of his Board of Directors as he may nominate shall provide annual assurance statements regarding YPO's system of internal control prior to preparation of the Annual Governance Statement.

18 INTERPRETATION

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

APPENDIX 1

YPO

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

Standing Orders for Contracts

Section 21.2

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

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

Financial Procedure Rules

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

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

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

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

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

Section 7.11 Limit on cash payments from imprest accounts £100

	<p style="text-align: center;">YPO</p> <p style="text-align: center;">MANAGEMENT COMMITTEE</p> <p style="text-align: center;">TO BE HELD ON</p> <p style="text-align: center;">24TH MARCH 2017</p>
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TITLE: COMMITTEE STRUCTURE

REPORT OF: MANAGING DIRECTOR

1. BACKGROUND INFORMATION

- 1.1 YPO's current Management Agreement, dated 8th September 2011, states under paragraph 6.(5), "The Management Committee shall appoint annually from its membership those sub-committees that it considers necessary to discharge its duties and responsibilities under this Agreement, and shall include at least an Executive Sub-Committee, an Audit Sub-Committee and a Scrutiny Sub-Committee."
- 1.2 The current Sub-Committee structure conforms to this agreement. However, since February 2013, the Audit Sub-Committee has been inquorate three times and the Scrutiny Sub-Committee twice. There are currently nine elected members on the Audit Sub-Committee and seven on the Scrutiny Sub-Committee. In both cases, members are able to substitute from within the YPO elected members of their own authority, increasing the potential pool of members from which to achieve quoracy to eighteen and fourteen respectively.
- 1.3 On occasion, the lack of quoracy of the Audit Sub-Committee particularly has caused the organisation practical difficulties, with special measures having to be taken to obtain authority to sign and submit annual accounts.

2. PROPOSED ACTION

- 2.1 Recognising the time pressure on members, including personal, professional and local authority democratic commitments, it is proposed to reduce the required time commitment by merging the Audit Sub-Committee with the Scrutiny Sub-Committee.
- 2.2 This would reduce the overall number of committee meetings by three and, hopefully, increase the likelihood of each meeting being quorate.
- 2.3 The proposed change requires an amendment to the current Management Agreement, which must be approved by at least two thirds of the membership. This should come as a recommendation from both the Audit and the Scrutiny Sub-Committees to be considered by the full Management Committee in March 2017.
- 2.4 As the position of Chair of Audit Sub-Committee is currently vacant, it is proposed that the current Chair of Scrutiny Sub-Committee should fulfil the combined role, subject to approval of the merger by the Management Committee, for the remainder of the current

committee cycle until the next Annual general Meeting in June 2017.

- 2.5 The proposed changes described above were considered by a combined meeting of Audit and Scrutiny Sub Committee members on 10th February 2017. The recommendations shown at paragraph 7. were agreed by the Audit Sub Committee for submission to the full Management Committee. The Scrutiny Sub Committee was again inquorate, but the members present contributed to the debate, with the Chair's agreement, and also agreed the recommendations.

3. FINANCIAL IMPLICATIONS

- 3.1 There are likely to be minimal administrative savings in both the Lead Authority and YPO due to the reduction in the number of committee meetings.

4. LEGAL IMPLICATIONS

- 4.1 The Management Agreement specifies that "If two thirds of the Founder Member Authorities agree, following a resolution by the Management Committee, this Agreement may be amended at any time upon terms agreed by the Founder Member Authorities."
- 4.2 Changes to the current Management Agreement would be required at paragraphs 4.(3), 6.(5) and 7.(1), along with a full rewrite of the Sub-Committee Terms of Reference and Standing Orders if the proposed merger is approved by the Management Committee.

5. RISK IMPLICATIONS

- 5.1 The risk of operational disruption to YPO would be reduced if the proposed changes increase the likelihood of quoracy at each Sub-Committee. The current high level of incidences of lack of quoracy presents a risk to the effective governance of YPO.

6. OPTIONS APPRAISAL

- 6.1 The options available to members are to approve the recommendation for the merger of the two Sub-Committees as described, or to maintain the current Sub-Committee structure with the on-going risk of lack of quoracy

7. RECOMMENDATIONS

- 7.1 Following discussion at the Audit Sub Committee and the Scrutiny Sub Committee (inquorate) on 10th February 2017, it is recommended that:
- a) the Audit Sub Committee and Scrutiny Sub Committee are combined, and in the future be made up of ten members, with a quorum of four Members, with meetings to be held a minimum of four times per year;
 - b) the current Chair of Audit Sub-Committee should fulfil the role of Chair of the combined Audit and Scrutiny Sub-Committee for the remainder of the current committee cycle until the Annual General Meeting in June 2017.
 - c) the Standing Orders are amended to make clear that Members can cover each others' meeting commitments as substitutes in YPO committee meetings, and that a sentence is added to the front of the agenda packs highlighting that if a Member is unable to attend, they are requested to send a substitute to represent their authority;

- d) the Committee Services Manager will request Members to send a substitute member in the event that they give their apologies for a particular committee meeting; and that
- e) a letter be sent to the Leaders of all Founder Member authorities on behalf of the Chair of the Management Committee, reminding them of the importance of committee meeting attendance, in order to ensure effective governance of YPO.
- f) the current Management Agreement be amended at paragraphs 4.(3), 6.(5) and 7.(1), to add the words in red and delete the words shown, such that it reads
“4(3) Provide an effective internal audit service at a level agreed between the Section 151 Officer and the Audit and Scrutiny Sub-Committee of the Management Committee, including such attendance by Auditors at the Audit and Scrutiny Sub-Committee as is necessary to properly discharge this responsibility.
6(5) The Management Committee shall appoint annually from its membership those sub-committees that it considers necessary to discharge its duties and responsibilities under this Agreement, and shall include at least an Executive Sub-Committee and an Audit and Scrutiny Sub-Committee.
7(1) The Management Committee shall keep under review its code of corporate governance and associated documents, including the register of corporate risk, following recommendations by the Audit and Scrutiny Sub-Committee.”

SERVICE DIRECTOR: SIMON HILL

YPO
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APPENDICIES:

Appendix 1: Audit Sub-Committee and Scrutiny Sub-Committee Attendance Details
Appendix 2: Letter to Member Authority Leaders
Appendix 3: Management Agreement prior to proposed amendments

Audit Sub Committee & Scrutiny Sub Committee Attendance Details

Audit Sub Committee			
Date	Number of Attendees	Number of Apologies	Total Number of Reps on Committee
4/11/16	1	5	9 (potentially 18)
22/4/16	3	3	9 (potentially 18)
26/2/16	5	3	9 (potentially 18)
6/11/15	4	2	9 (potentially 18)
15/5/15	2	3	9 (potentially 18)
13/3/15	4	2	9 (potentially 18)
10/10/14	5	1	9 (potentially 18)
11/4/14	4	3	9 (potentially 18)
7/2/14	2	2	9 (potentially 18)
18/10/13	3	3	9 (potentially 18)
19/7/13	4	1	9 (potentially 18)
26/4/13	3	3	9 (potentially 18)
8/2/13	4	2	9 (potentially 18)

Scrutiny Sub Committee			
Date	Number of Attendees	Number of Apologies	Total Number of Reps on Committee
21/10/16	4	1	7 (potentially 14)
20/5/16	2	3	7 (potentially 14)
5/2/16	4	0	7 (potentially 14)
16/10/15	5	1	7 (potentially 14)
5/6/15	2	2	7 (potentially 14)
6/3/15	3	3	7 (potentially 14)
12/9/14	4	2	7 (potentially 14)
2/5/14	4	2	7 (potentially 14)
14/2/14	5	1	7 (potentially 14)
13/9/13	5	3	7 (potentially 14)
19/4/13	4	0	7 (potentially 14)
15/2/13	5	1	7 (potentially 14)

Dear Leader

I am writing to you in my role as Chairman of the YPO Joint Committee to ask for your support in ensuring robust governance of the organisation.

As you will already know, YPO is the largest collaborative buying organisation operating within the local government sector and is run as a successful commercial operation. Despite its commercial nature, it is incumbent on its thirteen Founder Member Authorities to ensure that a comprehensive system of governance is in place to guarantee transparency and accountability.

Unfortunately, over the past 2 years, both the Scrutiny and Audit Committees have failed to be quorate on a number of occasions, leading to a risk of inadequate governance. In order to address this, it is proposed to merge the Audit and Scrutiny Sub-Committees to reduce the required time commitment for elected members.

In order to make this revised structure effective, could I ask for your assistance in reminding your Elected Members of the importance of attendance at Committee and Sub-Committee Meetings. It would also be helpful to remind members that they are able to send one of the named substitutes for your authority to any meeting if they are unable to attend themselves, as per point 4 of the YPO Management Agreement:

“Each Founder Member Authority shall appoint annually two of its Elected Members as Members of YPO (who may also act as a substitute for each other) and each Founder Member Authority shall also be entitled to appoint two additional Substitute Members. A Substitute Member may attend meetings (including Sub-Committee Meetings) of YPO in place of an appointed Member who is unable to attend. It shall be the responsibility of each Founder Member Authority to arrange such a substitution on their own behalf.”

I am confident that, with this revised approach, we can jointly ensure that YPO continues to go from strength to strength, providing much needed commercial income at a time when we all need it the most.

With thanks in advance for your assistance.

Yours sincerely

Cllr Les Shaw
Chairman
YPO

THIS AGREEMENT is made on the 8th day of September 2011

BETWEEN: BARNSELEY METROPOLITAN BOROUGH COUNCIL of the first part; THE BOROUGH COUNCIL OF BOLTON of the second part; THE CITY OF BRADFORD METROPOLITAN DISTRICT COUNCIL of the third part; THE BOROUGH COUNCIL OF CALDERDALE of the fourth part; ^{SPC} ~~METROPOLITAN~~ DONCASTER ~~METROPOLITAN~~ BOROUGH COUNCIL of the fifth part; THE COUNCIL OF THE BOROUGH OF KIRKLEES of the sixth part; KNOWSLEY METROPOLITAN BOROUGH COUNCIL of the seventh part; NORTH YORKSHIRE COUNTY COUNCIL of the eighth part; the ROTHERHAM BOROUGH COUNCIL of the ninth part; ST HELENS BOROUGH COUNCIL of the tenth part; THE COUNCIL OF THE CITY OF WAKEFIELD of the eleventh part; WIGAN BOROUGH COUNCIL of the twelfth part; THE COUNCIL OF THE CITY OF YORK of the thirteenth part.

WHEREAS:

- (1) The above parties are referred to in this Agreement as 'the Founder Member Authorities' collectively and as 'Founder Member Authority' individually, irrespective of whether they were founding members on formation of the Yorkshire Purchasing Organisation in 1974 or became members thereafter
- (2) The Yorkshire Purchasing Organisation (referred to in this agreement as YPO) was established in 1974 to maintain effective, efficient and economical arrangements for the supply of goods, materials and services.
- (3) This agreement replaces an earlier agreement agreed in 2001, relating to the governance of YPO, and will govern the operation of YPO from 8th September 2011

IT IS HEREBY AGREED AS FOLLOWS:

1. OBJECTIVES AND PURPOSE OF YPO

(1) YPO shall be a procurement organisation, maintaining effective, efficient and economical arrangements for the supply of goods, materials, works and services, by providing excellent quality, service and competitive prices, whilst optimising the profits available for distribution to its members and customers.

(2) YPO shall (unless agreed otherwise by at least two thirds of the Founder Member Authorities) be a public sector organisation committed to professional, open, sustainable, caring relationships with its members, customers, staff and suppliers, and in doing so shall help the UK public sector by delivering a high quality service which saves them time and money.

(3) In conducting its business, YPO shall:

- (i) Provide all the general supplies and services required by local government and other public/third sector bodies, as permitted under legislation;
- (ii) Optimise profitability by delivering cost effective services that contribute to customers' efficiency;
- (iii) Ensure through periodic reviews that the effectiveness, efficiency and profitability of YPO is at least comparable with that of other similar organisations;
- (iv) Utilise profits to support business investment, to reward membership and to incentivise usage;

- (v) Be informed by, and be consistent with, the innovation and efficiency plans of the Founder Member Authorities and those of regional bodies;
- (vi) Play a constructive role in helping to shape, and benefit from, developments in the national procurement agenda.

2. POWERS OF YPO

In conducting its business as defined in paragraph 1 above, YPO shall at all times

- (i) act within the powers conferred to it by law including but not limited to the Local Authorities (Goods and Services) Act 1970, Sections 101 and 102 of the Local Government Act 1972 and The Local Authorities (Arrangements for the Discharge of Functions)(England) Regulations 2000 (in relation to the joint discharge of functions) together with Section 111 of the Local Government Act 1972 and to the extent it confers specific power to enter into Contracts Section 1 of the Local Government (Contracts) Act 1997, and Regulation 22 of the Public Contract Regulations 2006 (all as amended from time to time) and (ii) comply with all other relevant law.

3. MEMBERSHIP OF YPO

- (1) There shall be three types of YPO membership – a Founder Member Authority, an Associate Member Authority and an Ordinary Member
- (2) Founder Member Authorities shall participate in YPO under a joint committee arrangement established in exercise of the Founder Member Authorities powers under Sections 101 and 102 of the Local Government Act 1972 and The Local Authorities (Arrangements for the Discharge of Functions)(England) Regulations 2000

- (3) No further 'Founder Member Authorities' shall be permitted under this Agreement or otherwise
- (4) Each Founder Member Authority shall appoint annually two of its elected members as members of YPO (who may also act as a substitute for each other) and each Founder Member Authority shall also be entitled to appoint two additional substitute members. A substitute Member may attend meetings (including sub-committee meetings) of YPO in place of an appointed member who is unable to attend. It shall be the responsibility of each Founder Member Authority to arrange such a substitution on their own behalf.
- (5) Each Founder Member Authority shall have one vote at Management Committee meetings of YPO, and these votes shall be of equal standing
- (6) The Founder Member Authorities shall select by majority vote in the Management Committee one of their number to act as Lead Authority, with the role and functions specified in SECTION 4 of this agreement.
- (7) A vote to replace the Lead Authority shall take place at the written request of the Lead Authority or at the written request of at least one third of the Founder Member Authorities, setting out their reasons for requesting a vote to take place.
- (8) With the agreement of two thirds of the Founder Member Authorities, via a resolution of the Management Committee, YPO may grant Associate Membership, in accordance with SECTION 8 of this agreement.
- (9) All individual customer account holders shall be Ordinary Members of YPO, in accordance with SECTION 9 of this Agreement.

4. ROLE OF THE LEAD AUTHORITY

The Lead Authority for the time being is the Council of the City of Wakefield, which shall perform the following functions on behalf of the Founder Member

Authorities:

- (1) Provide the Management Committee with appropriately qualified staff to carry out the roles of Section 151 Officer and Monitoring Officer in relation to YPO;
- (2) Act as employer for all staff of the Management Committee, including the Board of Directors, and to provide such Human Resources input as the Lead Authority considers necessary for the effective discharge of this responsibility;
- (3) Provide an effective internal audit service at a level agreed between the Section 151 Officer and the Audit Sub-Committee of the Management Committee, including such attendance by Auditors at the Audit Sub-Committee as is necessary to properly discharge this responsibility;
- (4) Provide effective Committee Administration services to the Management Committee and appropriate sub-committees, at a level considered necessary by the Monitoring Officer;
- (5) Provide effective banking and resource management services on behalf of YPO;
- (6) Consult Founder Member Authorities on changes to Financial Procedure Rules, Standing Orders, Delegation Schemes and this Agreement, and make recommendations to the Management Committee;
- (7) Chair the Strategic Officers Advisory Group;

(8) Assist the Management Committee to monitor the performance of the Managing Director;

(9) Have the authority to defer any proposal to incur expenditure or let any contract by the Board of Directors, pending the outcome of a report to the Management Committee or the Executive Sub-Committee of YPO as appropriate

and shall charge the cost of such services to the Management Committee.

The performance of the Lead Authority will be considered by the Strategic Officers Advisory Group annually and formally reviewed at least every five years.

5. PROCEDURE RULES AND SCHEMES OF DELEGATION

(1) The Management Committee and Board of Directors shall operate at all times in accordance with approved:

- (i) Financial Procedure Rules;
- (ii) Standing Orders;
- (iii) Contract Standing Orders;
- (iv) Officer Delegation Scheme.

(2) Any proposed amendments to the documents in 5(1) shall be subject to:

- (i) A period of at least 8 weeks prior consultation with Founder Member Authorities by the Monitoring Officer;
- (ii) A report to the Management Committee by the Monitoring Officer setting out the results of the consultation, and making recommendations;

- (iii) The agreement of at least two thirds of the total membership of the Management Committee.

6. JOINT COMMITTEE ARRANGEMENTS

- (1) The democratic management of YPO shall be vested in the Joint Committee, which shall be known as the Management Committee of YPO.

- (2) The Management Committee shall meet at least 3 times per year in March, June (AGM) and November, and such other times as agreed from time to time by the Chair of the Committee. Each meeting shall have a duration of a maximum of 2 hours unless otherwise agreed by a majority of the Management Committee.

- (3) Quorum and substitution arrangements for the Management Committee shall be as set out in this document and the approved Standing Orders of YPO.

- (4) The remit of the Management Committee shall be that agreed by YPO Management Committee held on 25 September 2009 – minute 23 (4), and be subject to a review at each Annual General Meeting of the Management Committee.

- (5) The Management Committee shall appoint annually from its membership those sub-committees that it considers necessary to discharge its duties and responsibilities under this Agreement, and shall include at least an Executive Sub-Committee and an Audit Sub-Committee and a Scrutiny Sub-Committee.

- (6) Prior to each Management Committee meeting, the Lead Authority shall convene a meeting of officers, drawn from the Founder Member Authorities, to be known as a 'Strategic Officers Advisory Group', with a

remit to examine draft reports to the Management Committee, raise issues of concern relating to YPO business and to facilitate the pre-briefing of members. It shall be the responsibility of each Founder Member Authority to make available, wherever possible, an officer of director of appropriate status to attend such meetings.

7. CODE OF CORPORATE GOVERNANCE

- (1) The Management Committee shall keep under review its code of corporate governance and associated documents, including the register of corporate risk, following recommendations by the Audit Sub-Committee.

- (2) YPO managers and such other officers as may be required shall agree to attend on request the scrutiny committees of the Founder Member Authorities to assist in their assessment of the effectiveness of YPO operations and assurance procedures.

8. ASSOCIATE MEMBERSHIP

- (1) At the time of this Agreement, Associate Membership is granted to Leeds City Council and the Metropolitan Borough of Bury.
- (2) Associate Members will be entitled to a share of dividend payments under SECTION 10(3)(ii) of this Agreement for annual levels of usage in excess of the usage level in the full calendar year immediately prior to Associate Membership being granted, in accordance with a scheme to be drawn up annually by the Management Committee.
- (3) Associate Members shall not receive a vote, or be entitled to attend 'in confidence' parts of Management Committee meetings.
- (4) Associate Members will be invited to attend an annual meeting with the Executive Sub-Committee, or participate in such other means of

discussion as are agreed by the Management Committee, and a report on the outcome of such discussions shall be presented to each Annual General Meeting of the Management Committee.

9. ORDINARY MEMBERSHIP

- (1) All individual customer account holders shall be Ordinary Members of YPO.
- (2) Ordinary Members shall be entitled to a share of dividend payments under SECTION 10(3)(iii) of this Agreement in accordance with a scheme to be drawn up annually by the Management Committee.
- (3) Ordinary Members shall not receive a vote, or be entitled to attend 'in confidence' parts of Management Committee meetings.

10. PAYMENT OF DIVIDENDS

- (1) In March of each year, upon receipt of the pre-audit accounts for the previous year the Management Committee shall determine the level of dividend to be paid (if any) but any dividend so determined will not be paid until the accounts have been completed and approved by the s151 Officer.
- (2) The overall dividend sum to be distributed (if any) shall be drawn from accumulated reserves, after deducting a sum which takes account of known risks, to ensure that YPO remains a going concern during the forthcoming year, and after deducting the cost of any development proposals agreed by the Management Committee.
- (3) The distribution formula shall contain the following elements:
 - (i) A cash sum to be divided equally between the Founder Member Authorities to reflect their risk of ownership;

- (ii) A cash sum to reward usage of YPO products and services in all modes of supply (including framework contracts) by the Founder Member Authorities and Associate Members with the weightings between types of membership and modes of supply being determined by the Management Committee;
- (iii) A sum to reward usage of Ordinary Members in the form of a credit voucher against future purchases.
- (4) The weightings attached to 3(i) to 3(iii) above shall be agreed annually by the Management Committee.

11. APPOINTMENT OF STAFF

- (1) 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.
- (2) 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.
- (3) 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 that its HR policies and procedures are in accordance with best practice.
- (4) All staff shall be employed by the Lead Authority on behalf of YPO on terms and conditions agreed by the Lead Authority, subject to SECTION 11(1) of this Agreement.

- (5) The Board of Directors shall make such arrangements with Trades Unions to facilitate effective employee relations, through the periodic Joint Consultative Committee, and the Lead Authority shall be entitled to attend meetings of the Committee as it sees fit.

12. ASSETS

- (1) All existing and future assets shall vest in the Lead Authority in trust for the Founder Member Authorities on terms to be agreed by the Management Committee.

13. WITHDRAWAL OF MEMBERS

- (1) A Founder Member Authority wishing to withdraw from membership of YPO shall give to the Lead Authority at least 12 months' written notice expiring on the 31 December. A Founder Member Authority withdrawing shall be responsible for an equal share of any deficit that is held in the accounts in the financial year of withdrawal, but shall not be entitled to any dividend payment under SECTION 10(3)(i) of this Agreement, or a share of any assets held in trust by the Lead Authority under SECTION 12(1) of this Agreement.

- (2) Associate Members under SECTION 8 of this Agreement can do so in writing without a notice period, but will not be entitled to any dividend payment under SECTION 10(3)(ii) of this Agreement for the financial year in which the withdrawal takes place.

14. TERMINATION

Notwithstanding the provisions of SECTION 13(1) of this Agreement, if two thirds of the Founder Member Authorities agree, following a resolution by the Management Committee, this Agreement may be terminated on the 31 December in any year.

(1) The terms of termination shall require:

- (i) The payment of any outstanding dividend to Associate Members under SECTION 10(3)(ii) of this Agreement which would have been paid out had the termination not taken place;
- (ii) Any accumulated deficit to be borne by the Founder Member Authorities equally;
- (iii) Any accumulated surplus in the YPO accounts, and the realised value of any assets held in trust by the Lead Authority under SECTION 12(1) of this Agreement, to be shared equally between the Founder Member Authorities.

15. AMENDMENT

- (1) If two thirds of the Founder Member Authorities agree, following a resolution by the Management Committee, this Agreement may be amended at any time upon terms agreed by the Founder Member Authorities.

16. LITIGATION

- (1) The institution and defence of necessary litigation by YPO arising out of the exercise of its responsibilities shall be undertaken in a representative capacity by the Lead Authority, or such other Founder Member Authority as appointed by the Lead Authority.

- (2) The Lead Authority, or such other Founder Member Authority undertaking the litigation, shall be indemnified by the Founder Member Authorities.

17. INTERPRETATION AND ARBITRATION

- (1) In applying the terms of this Agreement, all parties shall act reasonably

- (2) Where a fraction of Membership is referred to in this Agreement, this should be rounded up to the nearest whole number.
- (3) If at any time any dispute or difference shall arise between the Founder Member Authorities or any of them respecting any matters arising out of this Agreement or the meaning or effect of this Agreement or anything herein contained or the rights or liabilities of any of the Founder Member Authorities the dispute or difference shall be referred to and settled by a single arbiter to be appointed by the Founder Member Authorities but if they cannot agree to be nominated by the Local Government Association.

THE COMMON SEAL OF BARNSLEY)
METROPOLITAN BOROUGH COUNCIL)
was hereunto affixed in the presence of:)

Stefanie
Authorised Signatory

THE COMMON SEAL OF THE BOROUGH
COUNCIL OF BOLTON
was hereunto affixed in the presence of:

A.R. SA

THE COMMON SEAL OF THE CITY OF
BRADFORD METROPOLITAN DISTRICT COUNCIL)
was hereunto affixed in the presence of:)

S. Channing
City Solicitor




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Author: CY CORNELL &
MELISSA R.

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AUTHORITIES

THE COMMON SEAL OF ROTHERHAM
BOROUGH COUNCIL

was hereunto affixed in the presence of:

[Signature] 31/6

DULY AUTHORISED
OFFICER

THE COMMON SEAL OF ST HELENS
BOROUGH COUNCIL

was hereunto affixed in the presence of:

[Signature]
AUTHORISED SIGNATORY

THE COMMON SEAL OF THE COUNCIL
OF THE CITY OF WAKEFIELD

was hereunto affixed in the presence of:

Bernadette Livesey
Service Director
Legal & Governance

[Signature]

THE COMMON SEAL OF WIGAN
BOROUGH COUNCIL

was hereunto affixed in the presence of:

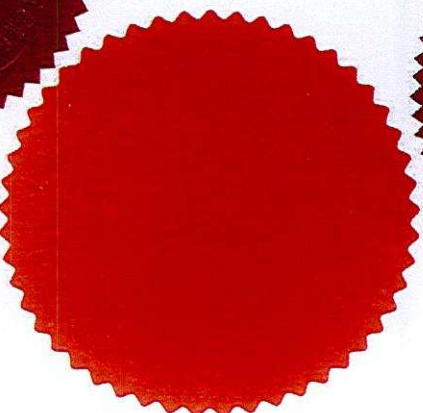
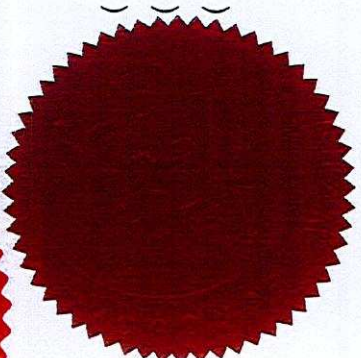
[Signature]
LEGAL & SERVICE - LEGAL & RISK

THE COMMON SEAL OF THE
COUNCIL OF THE CITY OF YORK

was hereunto affixed in the presence of:

[Signature]

Clare McGusker LL.B.
Clerk



Dated

8th September

2011

The Councils of the County of North Yorkshire and the Districts of Barnsley,
Bolton, Calderdale, Doncaster, Kirklees, Knowsley, Rotherham,
St Helens, Wigan and the Cities of Bradford, Wakefield and York

A G R E E M E N T

Management Agreement – Yorkshire Purchasing Organisation

Service Director
Legal & Governance
County Hall
WAKEFIELD
WF1 2QW

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