

Your Ref.
Our Ref

Please Reply To **Kayley Sykes**
Telephone No (01924) 834912
Email kayley.sykes@ypo.co.uk
Date 13 June 2019

Town Hall, Wood Street, Wakefield, West Yorkshire WF1
2HQ
T 01924 305100; E chiefexec@wakefield.gov.uk
Typetalk calls welcome

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

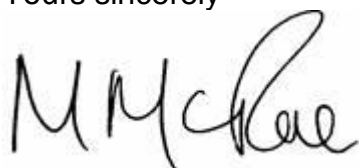
Chief Executive of the Constituent Authorities (for information)

Dear Councillor

**YORKSHIRE PURCHASING ORGANISATION MANAGEMENT COMMITTEE MEETING
– FRIDAY, 21 JUNE 2019**

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, 21 June 2019** at the **YPO HQ, 41 Industrial Park, Wakefield** to consider the items set out in the agenda detailed overleaf.

Yours sincerely



Merran McRae
Secretary to the Joint Committee

PLEASE NOTE: A buffet lunch is to be provided at the conclusion of the meeting. Please contact Kayley on the details above if you have any dietary requirements.

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, 21 June 2019**

AGENDA

1. Members' Declaration of Interest.
2. Membership of YPO Management Committee. (Pages 1 - 2)
3. Apologies for Absence.
4. Election of Chair.
Nominations are requested for the position of Chair of the Management Committee who in turn would become the Chair of the Executive Sub-Committee and Joint Consultative Committee/ Appointments Sub Committee for the year 2019/20.
5. Election of Vice Chair.
Nominations are requested for the position of Vice Chair of the Management Committee who in turn would become the Vice Chair of the Executive Sub-Committee and Joint Consultative Committee/ Appointments Sub Committee for the year 2019/20.
6. To note any items which the Chairman has agreed to add to the agenda on the grounds of urgency.
7. To approve, as a correct record, the Minutes of the Management Committee meeting held on 22nd March 2019. (Pages 3 - 6)
8. To approve, as a correct record, the inquorate Minutes of the Audit & Scrutiny Sub Committee meeting held on 29th May 2019. (Pages 7 - 10)
9. Appointments to Sub Committees & Joint Consultative Committee. (Pages 11 - 15)
10. Annual Report. (Pages 17 - 18)
11. External Audit Report. (Pages 19 - 49)
12. Audited Accounts. (Pages 51 - 93)
13. Appointment of Auditors. (Pages 95 - 96)
14. Annual Internal Audit Report. (Pages 97 - 104)
15. Governance Review. (Pages 105 - 106)
16. Terms of Reference & Work Programme. (Pages 107 - 123)
17. Lead Authority Issues.

18. 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 19 - 25 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

- | | | |
|-----|---|-------------------|
| 19. | Business Update. | (Pages 125 - 135) |
| 20. | Financial Performance Report. | (Pages 137 - 143) |
| 21. | Associate Membership Applications. | (Pages 145 - 147) |
| 22. | Property Risk Report. | (Pages 149 - 150) |
| 23. | Dividend Distribution. | (Pages 151 - 154) |
| 24. | Independent Director Recruitment. | (Pages 155 - 158) |
| 25. | Report of Independent Director. | (Pages 159 - 161) |
| 26. | Date and Time of Next Meeting.
<i>Proposed as 29th November 2019.</i> | |

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TITLE: MEMBERSHIP OF THE MANAGEMENT COMMITTEE OF THE YPO JOINT COMMITTEE 2019/20

REPORT OF: MANAGING DIRECTOR

1. BACKGROUND INFORMATION

- 1.1 To receive nominations from the Constituent Authorities in relation to membership of the Management Committee of the YPO Joint committee for the 12 month period commencing June 2019.
- 1.2 Information has been received from all Authorities, other than Calderdale Council, with regard to their representation on the Management Committee for 2019 into 2020. Where substitute member places are left blank, no substitutes have been nominated.

AUTHORITY	REPRESENTATIVES	SUBSTITUTE(S)
Barnsley MBC	Councillors Gardiner & Barnard	
Bradford MDC	Councillors Warburton & Whiteley	Councillors Lal & Ellis
Bolton MBC	Councillors Haslam & Wild	Councillors C Wild & Radcliffe
Calderdale MBC	TBC	
Doncaster MBC	Councillors Cole & Nightingale	
Kirklees MBC	Councillors Butt & TBC	Councillors Dad & O'Donovan
Knowsley MBC	Councillors Walsh & Aston	
North Yorkshire CC	Councillors Mackenzie & Dadd	Councillor Les
Rotherham MBC	Councillors Atkin & Wyatt	Councillor Buckley
St Helens MBC	Councillors Bond & Pritchard	
Wakefield MDC	Councillors Shaw & Williams	
Wigan MBC	Councillors Walker & Sweeney	Councillors Rehman & Davies
City Of York	Councillors Daubeney & Pavlovic	

2. RECOMMENDATION

- 2.1 That Members note the content of the report.

3 STRATEGIC IMPLICATIONS

- 3.1 There are no specific Strategic Implications associated with this report.

4 LEGAL IMPLICATIONS

- 4.1 There are no specific Legal Implications associated with this report.

5 FINANCIAL IMPLICATIONS

5.1 There are no specific Financial Implications associated with this report.

SERVICE DIRECTOR: SIMON HILL, MANAGING DIRECTOR

YPO
41 Industrial Park
Wakefield
WF2 0XE

Telephone No: 01924 834912
E-mail address: simon.hill@ypo.co.uk

CONTACT OFFICER: KAYLEY SYKES, BUSINESS SERVICES MANAGER

YPO
41 Industrial Park
Wakefield
WF2 0XE

Telephone No: 01924 834912
E-mail address: kayley.sykes@ypo.co.uk

YORKSHIRE PURCHASING ORGANISATION MANAGEMENT COMMITTEE

Friday 22nd March 2019

- Present:**
- Bolton**
Councillor Mistry

 - City of Bradford**
Councillor Whiteley
Councillor Warburton

 - Barnsley**
Councillor Barnard

 - Knowsley MBC**
Councillor Walsh

 - North Yorkshire CC**
Councillor Mackenzie
Councillor Dadd

 - Rotherham MBC**
Councillor Atkin
Councillor Vjestica

 - Wakefield MDC**
Councillor Graham

 - Wigan MBC**
Councillor Walker

 - City of York**
Councillor Rawlings

45:	Apologies for Absence
	Apologies for absence submitted prior to the meeting were accepted on behalf of Councillors Nightingale (Doncaster), Rehman (Wigan), Shaw (Wakefield), Morris (Bolton), Asif (Kirklees), Scullion (Calderdale), Gardiner (Barnsley), Cuthbertson (York), Wiseman (St Helens), & Morris (Bolton).
46:	Urgent Items
	Cllr Walker agreed to add an urgent verbal item to the agenda. Cllr Walker stated that this would be discussed in the private section of the meeting as it was commercially sensitive.
47:	Minutes of Management Committee held on 30th November 2018
	That the minutes of the meeting of the Management Committee held on 30 th November 2018 be accepted as a correct record.

48:	Minutes of the Audit & Scrutiny Sub Committee held on 15th February 2019
	That the minutes of the meeting of the Audit & Scrutiny Sub Committee held on 15 th February 2019 be accepted as a correct record.
49:	Minutes of the Executive Sub Committee held on 8th March 2019
	That the minutes of the meeting of the Executive Sub Committee held on 8 th March 2019 be accepted as a correct record.
50:	Members Declaration of Interest
	No declarations of interest were made by members.
51:	Pre- Audit Statement of Accounts
	<p>Consideration was given to the report presented by the Executive Director which provided Members with the details of the Pre-Audit Statement of Accounts 2018 attached as Appendix 1, and to inform Members of the public notice of the commencement of the audit and public inspection period.</p> <p>Resolved - (1) That the Pre-Audit Statement of Accounts 2018 is noted by Members.</p>
52:	Internal Audit Annual Report
	<p>Consideration was given to the report of the Wakefield Council Service Manager, Jason Brook, which provides the Committee and Senior Management with Internal Audit's opinion on the effectiveness and efficiency of risk management, governance, and control arrangements operating within YPO.</p> <p>Resolved - (1) That Members note the comments detailed in the Internal Audit Annual Report.</p>
53:	Internal Audit Plan
	<p>Consideration was given to the report of the Wakefield Council Service Manager, Jason Brook, which provided Members with details of Internal Audit's performance and work since the last meeting of the Audit & Scrutiny Sub-Committee on the 2 November 2018.</p> <p>Resolved – (1) That Members note the Internal Audit Progress Report.</p>
54:	Standing Orders and Financial Procedure Rules
	<p>The Deputy Managing Director Paul Smith presented the Standing Orders and Financial Procedure Rules.</p> <p>The Standing Orders and Financial Procedure Rules have been reviewed to ensure compliance with the current law.</p>

	<p>Members were asked to note that there are no changes to Standing Orders for Contracts at this time (Appendix 1) but that they will be reviewed again in mid-2019 following Brexit.</p> <p>Resolved – (1) That the report be noted.</p>
54:	Lead Authority Issues
	No Lead Authority issues were raised.
55:	Exclusion of the Public & Press
	<p>Resolved - That the public and press be excluded from the meeting during consideration of Agenda Items 13 to 17 on the grounds that they were likely to involve the disclosure of exempt information as described in Part 1 of Schedule 12A to the Local Government Act 1972, as amended.</p>
56:	IN PRIVATE
	Associate Member Applications (Exempt Paragraph 3)
	<p>Consideration was given to the report of the Strategic Relationship Manager which provided Members with a summary of the applications for Cleveland Police, Lancashire County Council, London Borough of Islington, and Oxfordshire County Council.</p> <p>Resolved – (1) That Cleveland Police, Lancashire County Council, London Borough of Islington, and Oxfordshire County Council be accepted as Associate Members of YPO.</p>
57:	Business Update (Exempt Paragraph 3)
	<p>Members considered the report of the Managing Director which provided Members with an update of the activities of the organisation since the previous committee meeting and gave an overview of the forthcoming activities and challenges.</p> <p>Resolved – (1) That the report be noted.</p>
58:	Treasury Outturn Report (Exempt Paragraph 3)
	<p>The S151 Officer presented the Treasury Outturn Report, the report provides information on Treasury Management activities for the year ending 31 December 2018.</p> <p>The report also details the Investment Strategy for the 2019 financial year.</p> <p>Resolved – (1) That the Management Committee notes the actions identified in this report taken in respect of Treasury Management activities in accordance with YPO's agreed strategy.</p> <p>(2) That the Management Committee approved the Investment Strategy for</p>

	2019.
59:	Report of the Independent Director (Exempt Paragraph 3)
	<p>Members gave consideration to a report of the Independent Director which detailed his observations of the organisation since November.</p> <p>The Independent Director shared that 2018 was clearly a successful year for YPO, an outcome of an effective medium-term strategy, disciplined execution and great deal of hard work.</p> <p>Cllr Walker shared with Members that a private session was held with the Independent Director as part of the Executive Sub Committee.</p> <p>Resolved - (1) That the report of the Independent Director and his observations be noted.</p>
60:	Dividend Distribution (Exempt Paragraph 3)
	<p>The Deputy Managing Director, Paul Smith presented the Dividend Distribution report. The report outlined the total funds for distribution from the 2018 profit.</p> <p>Members shared support for the recommendation and expressed a level of confidence with the results so far for 2019.</p> <p>Resolved – (1) That the distributable dividend amount as detailed in section 4 of the report is agreed by all.</p>
61:	DATE AND TIME OF NEXT MEETING
	<p>Resolved – That the next meeting of the YPO Management Committee will be held on 21st June 2019.</p>

YORKSHIRE PURCHASING ORGANISATION

AUDIT & SCRUTINY SUB-COMMITTEE

WEDNESDAY, 29TH MAY 2019

MEETING NOT QUORATE – MINUTES FOR INFORMATION ONLY

Present: The Chair: Councillor Warburton (Bradford)

Councillors: Warburton (Bradford), Barnard (Barnsley), Dadd (North Yorkshire)

98.	CHAIR'S INTRODUCTION & WELCOME
	Councillor Warburton welcomed all parties to the meeting.
99.	ACCEPTANCE OF APOLOGIES FOR ABSENCE
	Apologies for absence submitted prior to the meeting were accepted on behalf of Councillors Rehman (Wigan), Nightingale (Doncaster), Vjestica (Rotherham), and Neil Warren (Wakefield).
100.	MEMBERS DECLARATION OF INTEREST
	No declarations of interest were made.
101.	URGENT ITEMS
	No urgent items were discussed.
102.	PREVIOUS MINUTES (AUDIT & SCRUTINY SUB COMMITTEE)
	The minutes of the YPO Audit & Scrutiny Sub-Committee held on 15 th February 2019 were unable to be approved as today's meeting was not quorate.
103.	EXTERNAL AUDIT REPORT
	<p>Matthew Moore (KPMG) shared the External Audit report from KPMG.</p> <p>Matthew Moore provided a verbal overview of the report and noted it is still in draft position as there is a technical accounting issue in relation to pensions. The report summarises the key findings for 2018 based on the work completed on site in January and April 2019.</p> <p>Matthew Moore thanked the finance team for their continued work and support.</p> <p>Councillor Dadd raised a question on the additional fee and was satisfied with the response from KPMG.</p> <p>A discussion was held around the pensions issue and why it has taken this long to resolve.</p> <p>Councillors thanked for KPMG for their work.</p>

	<p>Resolved – (1) That the report be noted.</p>
104.	AUDITED STATEMENT OF ACCOUNTS
	<p>Consideration was given to a report of the Head of Finance which detailed the provisional 2018 Audited Statement of Accounts.</p> <p>The Audited Statement of Accounts have been externally audited and the auditors anticipate an unqualified opinion.</p> <p>Paul Smith noted our thanks to KPMG for their work over the years.</p> <p>Resolved – (1) That members note the report.</p> <p>(2) The inquorate Audit & Scrutiny Sub Committee indicated the members present would want to recommend that the Audited Statement of Accounts be submitted to the Annual General Meeting in June for formal approval.</p>
105.	APPOINTMENT OF AUDITORS
	<p>Consideration was given to a report of the Head of Finance in relation to the appointment of auditors.</p> <p>Paul Smith shared the result of the tender exercise, following a review of both cost and quality, it is proposed that Mazars should be appointed as the contracted auditor for 2019 to 2023.</p> <p>Resolved – (1) The inquorate Members recommend the Management Committee approve the appointment of Mazars as YPO’s external auditors for the next 5 years.</p>
106.	AUDIT & SCRUTINY SUB COMMITTEE TERMS OF REFERENCE & WORK PROGRAMME
	<p>Consideration was given to the report of the Managing Director which provided members with an overview of the work scheduled for the 2019/20 committee cycle.</p> <p>The report also proposed the Terms of Reference, Principal Agenda Items, 2019/20 Meeting Schedule and Training Plan.</p> <p>Resolved – (1) That the report be noted and submitted to the Annual General Meeting in June for formal sign off.</p>
107.	GOVERNANCE REVIEW
	<p>Consideration was given to a report of the Managing Director entitled Governance Review.</p> <p>The report explained that YPO has various governance policies and these are reviewed at least annually by the Board, any changes to these policies are brought to Committee for approval.</p> <p>The report detailed when each policy was last reviewed and any proposed action by the Board.</p> <p>Resolved - (1) That the inquorate Committee note the contents of the table at</p>

	paragraph 1.2.
108.	DRAFT ANNUAL INTERNAL AUDIT PLAN 2019
	<p>Consideration was given to a report of the Service Manager for Internal Audit & Risk from Wakefield Council (Jason Brook), entitled Draft Annual Internal Audit Plan for 2019.</p> <p>The report details the process that has been followed to determine the priorities for the draft 3 Year Audit Plan.</p> <p>Jason Brook shared the draft plan with Members.</p> <p>Resolved – (1) That the inquorate Members recommend the proposed Internal Audit Plan for 2019 to 2021 for approval by the Management Committee.</p>
109.	EXCLUSION OF THE PUBLIC AND PRESS
	<p>Resolved – That the public and press be excluded from the meeting during consideration of agenda items 13 and 14 on the grounds that they are likely to involve the disclosure of exempt information as described in Part 1 of Schedule 12A to the Local Government Act 1972, as amended.</p>
110.	IT PROGRAMME UPDATE (LINK) (EXEMPT – PARAGRAPH 3)
	<p>Consideration was given to the report of the Executive Director (Paul Smith) which provided Members with an update on the current project dossier.</p> <p>The report summarised the progress with the IT Programme.</p> <p>Paul Smith shared a further update on the risks.</p> <p>Resolved – (1) That the report be noted.</p>
111.	PROPERTY RISK REPORT (EXEMPT – PARAGRAPH 3)
	<p>A report of the Executive Director (Julie Wray) was shared entitled Property Risk Report.</p> <p>Simon Hill shared the report. The purpose of the report is to update Members on the planned activities to address the various implications arising from the insurance risk report received in May 2018.</p> <p>Simon Hill noted that the insurance have confirmed they will still cover us without sprinklers in place, and have downgraded the sprinkler risk to a recommendation rather than a requirement.</p> <p>Simon Hill noted we are undertaking a comprehensive review of our Business Continuity plans as a result of this.</p> <p>We are also undertaking a full property review in order to put together a property strategy, this will be completed in quarter three and shared with Members.</p>

	<p>Simon Hill noted he is happy the initial short-term risk has been resolved.</p> <p>Councillors raised a number of questions and were satisfied with the responses provided.</p> <p>Resolved – (1) Members noted the content of the report.</p>
112.	DATE AND TIME OF NEXT MEETING
	<p>Resolved – (1) That the next meeting of the YPO Audit & Scrutiny Sub Committee is proposed to be held on Friday 1st November 2019, 10.30am.</p>

	<p>YPO</p> <p>MANAGEMENT COMMITTEE</p> <p>TO BE HELD ON</p> <p>21ST JUNE 2019</p>
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TITLE: APPOINTMENTS TO SUB-COMMITTEES AND JOINT CONSULTATIVE COMMITTEE 2019/20

REPORT OF: MANAGING DIRECTOR

1. BACKGROUND INFORMATION

- 1.1 To receive nominations from the Constituent Authorities in relation to membership of Sub-Committees and the Joint Consultative Committee and to determine the membership for those meetings for the 12 month period commencing June 2019.
- 1.2 YPO's governance arrangements include a Management Committee that is made up of two representatives from each of the 13 Founder Member Authorities. The role of this Committee is to develop and monitor the strategic direction and performance of the organisation. The Management Committee is supported by a number of Sub-Committees, each with a different focus.
- 1.3 The Executive Sub-Committee has a membership of nine members drawn from the Management Committee (including the Chair and Vice Chair of the Management Committee) and meet three times during the year. Its primary purpose is to review the performance of the organisation, ensure delivery of the agreed strategy and review the performance of the Managing Director.
- 1.4 The Audit & Scrutiny Sub-Committee has a membership of sixteen members drawn from the Management Committee who meet three times during the year. Its primary purpose is to undertake the duties of 'those charged with governance' under delegation from the Management Committee. The Audit & Scrutiny Sub-Committee has delegated powers to sign off the annual financial statements and annual governance report on behalf of the Management Committee and ensure it has sufficient information and knowledge to undertake those duties. The committee scrutinises strategies and actions of the YPO management team and provides feedback, comment and recommendations.
- 1.5 The table shown in appendix one sets out the individual Member preferences received or, in the absence of an expressed preference, an indication of the Sub-Committee meetings that the Council's representative attended last year.
- 1.6 In total there are 30 places available, four of which are taken up automatically by the Chair and Vice Chair of the Management Committee, who also act as Chair and Vice Chair of the Executive Sub-Committee and JCC/Appointments Sub-Committee.
- 1.8 Twenty-six places therefore remain for the other twenty four members of the

Management Committee.

- 1.9 Table of Preferences Received 2019 - The attached report details the preferences received by YPO. The Chair and Vice Chair of the Management Committee automatically assume those same roles on both the Executive Sub-Committee and the JCC/Appointments Sub-Committee. If Member preferences received should exceed the number of places available on each Sub-Committee, Members of the Management Committee would be required to determine, by way of a vote, the successful representation on an oversubscribed Sub-Committee. As yet, this situation has not arisen.
- 1.10 Where preferences have already been received, as noted in appendix 1, they can be accommodated in full and Members are asked whether the remaining places on Sub-Committees should be made in line with last year's membership, providing no contrary preference is expressed. Should an alternative method of allocating places be preferred, this would need to produce memberships in line with the Sub-Committee Terms of Reference.

2 RECOMMENDATION

- 2.1 That the Secretary to the Joint Committee be given authority to determine Sub-Committee and Joint Consultative Committee membership for the 12 month period commencing June 2019, in liaison with nominated members and taking into account preferences expressed wherever possible.

3 STRATEGIC IMPLICATIONS

- 3.1 There are no specific Strategic Implications associated with this report.

4 LEGAL IMPLICATIONS

- 4.1 There are no specific Legal Implications associated with this report.

5 FINANCIAL IMPLICATIONS

- 5.1 There are no specific Financial Implications associated with this report.

SERVICE DIRECTOR: SIMON HILL, MANAGING DIRECTOR

YPO
41 Industrial Park
Wakefield
WF2 0XE

Telephone No: 01924 834912
E-mail address: simon.hill@ypo.co.uk

CONTACT OFFICER: KAYLEY SYKES, BUSINESS SERVICES MANAGER

YPO
41 Industrial Park
Wakefield
WF2 0XE

Telephone No: 01924 834912
E-mail address: kayley.sykes@ypo.co.uk

APPENDIX

Appendix 1 – Table of Preferences for Sub-Committees 2019/20

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Appointments to Sub-Committees and Joint Consultative Committee 2019/20

	Executive Sub	Audit & Scrutiny Sub	JCC/ Appointments
Barnsley MBC			X
1. Gardiner			
2. Barnard		X	
Bolton MBC			
1. Haslam		X	
2. Wild	X		
Bradford MDC			
1. Warburton		X	
2. Whiteley	X		X
Calderdale MBC			
1. TBC		X	
2. TBC		X	
Doncaster MBC			
1. Cole		X	
2. Nightingale		X	
Kirklees MC			
1. Butt		X	
2. TBC		X	
Knowsley MBC			
1. Walsh	X	X	
2. Aston			
North Yorks CC			
1. Mackenzie	X		
2. Dadd		X	
Rotherham MBC			
1. Atkin	X		
2. Wyatt		X	
St Helens MBC			
1. Bond	X		X
2. Pritchard		X	
Wakefield MDC			
1. Shaw	X		X
2. Williams		X	
Wigan MBC			
1. Walker	X		X
2. Sweeney		X	
City of York			
1. Daubeney	X		
2. Pavlovic		X	
Total members required	9	16	5

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YPO
MANAGEMENT COMMITTEE
TO BE HELD ON
21ST JUNE 2019

TITLE: ANNUAL REPORT

REPORT OF: MANAGING DIRECTOR

1. BACKGROUND

- 1.1 To provide an Annual Report by the Managing Director to the Members of the Management Committee, as required by the YPO Management Agreement. The report will be tabled at the meeting.
- 1.2 The report is written in the spirit of accountability and transparency, but also pride in our achievements on behalf of our members. It is intended to circulate the Annual Report to Leaders, Chief Executives and Finance Directors of member authorities and also to use it more widely as marketing and promotional material.

2. RECOMMENDATIONS

- 2.1 That Members note the content of the report.

3 STRATEGIC IMPLICATIONS

- 3.1 There are no specific Strategic Implications associated with this report.

4 LEGAL IMPLICATIONS

- 4.1 There are no specific Legal Implications associated with this report.

5 FINANCIAL IMPLICATIONS

- 5.1 There are no specific Financial Implications associated with this report.
- 5.2 Please note that the Member Benefit Statements are not yet included as the decision on dividend distribution is due to be taken at this meeting. They will be sent to Members under separate cover.

SERVICE DIRECTOR: SIMON HILL, MANAGING DIRECTOR

YPO

41 Industrial Park
Wakefield WF2 0XE

Telephone No: 01924 834800

E-mail address: simon.hill@ypo.co.uk

APPENDIX:

Appendix 1 – Published Annual Report (to be tabled at the meeting)



External Audit ISA260 Report 2018

**Yorkshire Purchasing
Organisation**

21 June 2019



Summary for Management Committee

This document summarises the key findings in relation to our 2018 non statutory external audit at Yorkshire Purchasing Organisation (YPO) ('the Organisation').

This report covers both our on-site work which was completed in January and April 2019 on the Organisation's significant risk areas, as well as other areas of your financial statements, and the control environment in place to support the production of timely and accurate financial statements.

Organisational and IT control environment

We have identified no significant issues with the Organisation's organisational and IT control environment and consider that the overall arrangements that have been put in place are reasonable.

Controls over key financial systems

The controls over the key financial systems are sound.

The recommendations that were raised in the prior year ISA260 have been implemented and there are no control recommendations made in this report.

Accounts production

The Organisation's overall process for the preparation of the financial statements is sound.

Financial statements

We intend to issue an unqualified opinion on the financial statements following the approval of the Financial Statements at the Management Committee on 21 June 2019.

Based upon our initial assessment of risks to the financial statements (as reported to you in our *External Audit Plan 2018* and updated during our audit) we identified the following significant risks (excluding those mandated by International Standards on Auditing – see Page 10):

- **Valuation of PPE** - The Valuation of the Land and Buildings are fairly stated.
- **Pensions Liabilities and Assets** The pension liabilities assumptions and estimates are fairly stated. However the Rate of Return of the Pension Assets estimate was understated which has led to the Pension Fund Assets being valued at the cautious end of the reasonable estimation range.

Summary for Management Committee (cont.)

Financial Statements (cont)

We have not identified any material errors that have been adjusted in the financial statements.

There are no unadjusted misstatements.

Based on our work, we have raised no recommendations.

Details of implementation of prior year recommendations can be found in Appendix 1.

We intend to give an unqualified opinion following approval of the financial statements on 21 June 2019.

Value for money arrangements

Whilst there is no requirement to undertake work on your VFM conclusion, you have requested this work. On the basis of the work done, we would be able to conclude that the Organisation has made proper arrangements if we were required to do so.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help.

Section one

Control Environment



Organisational and IT control environment

We have identified no significant issues with the Organisation's organisational and IT control environment and consider that the overall arrangements that have been put in place are reasonable.

Work completed

Controls operated at an organisational level often have an impact on controls at an operational level and if there were weaknesses this would have implications for our audit. We obtain an understanding of the Organisation's overall control environment and determine if appropriate controls have been implemented. We do not complete detailed testing of these controls.

The Organisation relies on information technology ("IT") to support both financial reporting and internal control processes. In order to satisfy ourselves that we can rely on the use of IT, we tested controls over access to systems and data, system changes and maintenance. The systems covered by this testing was the General Ledger, stock system and the overall network.

Key findings

We consider that your organisational controls are effective overall.

Aspect of controls	Assessment
Organisational controls:	
Management's philosophy and operating style	3
Culture of honesty and ethical behaviour	3
Oversight by those charged with governance	3
Risk assessment process	3
Communications	3
Monitoring of controls	3
IT controls:	
Access to systems and data	3
System changes and maintenance	3

Key	
1	Significant gaps in the control environment.
2	Deficiencies in respect of individual controls
3	Generally sound control environment.

Controls over key financial systems

The controls over the key financial systems are sound.

The recommendations that were raised in the prior year ISA260 have been implemented and there are no control recommendations made in this report.

Work completed

We review the outcome of internal audit's work on the financial systems to influence our assessment of the overall control environment, which is a key factor when determining the external audit strategy.

Where we have determined that this is the most efficient audit approach to take, we evaluate the design and implementation of the control and then test selected controls that address key risks within these systems. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

Our assessment of a system will not always be in line with your internal auditors' opinion on that system. This is because we are solely interested in whether our audit risks are mitigated through effective controls, i.e. whether the system is likely to produce materially reliable figures for inclusion in the financial statements.

Key findings

Based on our work we have determined that for the key financial systems the controls overall are sound.

Controls over key financial systems (cont.)

Aspect of controls	Assessment
Property, Plant and Equipment	3
Cash and Cash Equivalents	3
Pension Assets and Liabilities	3
Non pay expenditure / Creditors	3
Payroll	3
Stock System and process	3
Sales Ledger	3

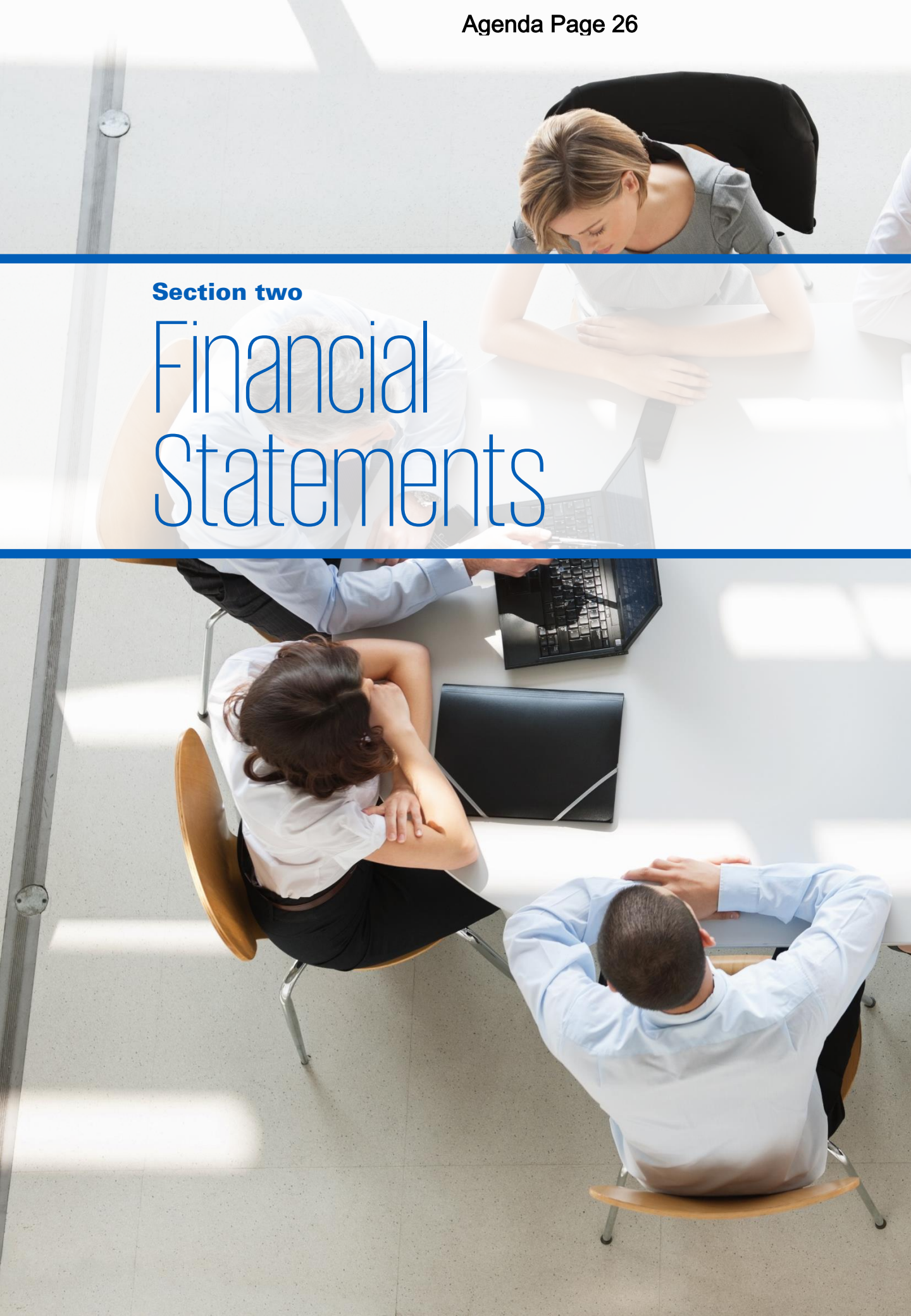
Key

1	Significant gaps in the control environment
2	Deficiencies in respect of individual controls
3	Generally sound control environment



Section two

Financial Statements



Accounts production and audit process

Audit standards (ISA 260) require us to communicate our views on the significant qualitative aspects of the Authority's accounting practices and financial reporting.

We also assessed the Organisation's process for preparing the accounts and its support for an efficient audit. The efficient production of the financial statements and good-quality working papers are critical to meeting the tighter deadlines.

The Organisation's overall process for the preparation of the financial statements is sound .

There are no recommendations outstanding from our *ISA 260 Report 2017*.

Accounts practices and production process

We consider that the overall process for the preparation of your financial statements is adequate.

We also consider the Organisation's accounting practices appropriate.

Going concern

The financial statements of the Organisation have been prepared on a going concern basis. We confirm that we have identified no significant matters which would, in our view, affect the ability of the Organisation to continue as a going concern.

Implementation of recommendations

We raised 6 recommendations in our ISA 260 Report in the prior year. The Organisation has implemented all of the recommendations relating to the financial statements in line with the timescales of the action plan.

No recommendations remain outstanding.

Section two: Financial Statements

Accounts production and audit process (cont.)

Completeness of draft accounts

We received a complete set of draft accounts on 15 February 2019, which was the deadline.

Quality of supporting working papers

We issued our Accounts Audit Protocol to the Financial Controller on 4 March 2019. This important document sets out our audit approach and timetable. It also summarises the working papers and other evidence we require the Organisation to provide us to support our audit work. This helps the Organisation to provide audit evidence in line with our expectations. We followed this up with a meeting with Management to discuss specific requirements of the document request list.

The quality of the working papers was maintained alongside the early close.

Response to audit queries

In general, the time taken by officers to deal with our audit queries was in line with what was agreed at the onset of the audit.

However, due to the issues regarding the rate of return used by the actuary, this has led to additional audit work. We are in the process of agreeing a fee overrun with the Managing Director.

Specific audit areas

We anticipate issuing an unqualified audit opinion on the Organisation's 2018 financial statements by 21 June 2019.

Auditing standards require us to consider two standard risks for all organisations. We consider these as a matter of course in our audit and will have set out the findings arising from our work in our ISA 260 Report below.

01

Management override of controls

Professional standards require us to communicate the fraud risk from management override of controls as significant because management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Our audit methodology incorporates the risk of management override as a default significant risk. We have not identified any specific additional risks of management override relating to this audit.

In line with our methodology, we carried out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.

There are no matters arising from this work that we need to bring to your attention.

02

Fraudulent revenue recognition

Professional standard require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.

We have considered the incentives and opportunities to misstate revenue and focus our testing in these areas.

We carried out appropriate controls testing and substantive procedures to address the risk. This included testing contract rebates to supporting evidence, carrying out sales cut off testing at year end and testing of bad debt provisions.

We have not identified any indications of fraudulent financial reporting but the nature of YPO's business means we are unable to rebut this presumption.

Over the following pages we have set out our assessment of the specific significant risks and areas of audit focus we identified in relation to the audit of the Organisation's financial statements.

Specific audit areas

Significant Audit Risks – Organisation

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error in relation to the Organisation.

Risk:

Valuation of PPE

The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Organisation has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle. The organisation is carrying out a formal valuation in 2018 on its Land and Buildings. As a result of this we have identified a specific audit risk:

- a valuation by definition is an estimate and with the material values included in the PPE there is a core significant risk of material misstatement

Our assessment and work undertaken:

In relation to those assets which have been revalued during the year we reviewed the accounting entries made to record the results of the revaluation to ensure that they were appropriate.

We also assessed the valuer’s qualifications, objectivity and independence to carry out such valuations and reviewed the methodology used (including testing the underlying data and assumptions).

We have tested the underlying data, and assumptions made by the valuer, and challenged the indices to calculate the value.

In conclusion: We have assessed that the Valuation of the Land and Buildings as at 31.12.18 was reasonably stated.

Specific audit areas (cont.)

Significant Audit Risks – Organisation (cont.)

<p>Risk:</p>	<p>Pension Liabilities</p> <p>YPO participates in the West Yorkshire Local Government Pension Scheme. (LGPS). The valuation of the LGPS relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the YPO’s overall valuation.</p> <p>There are financial assumptions and demographic assumptions used in the calculation of YPO’s valuation, such as the discount rate, inflation rates, mortality rates etc. The assumptions should also reflect the profile of YPO’s employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.</p> <p>There is a risk that the assumptions and methodology used in the valuation of the YPO’s pension obligation are not reasonable. This could have a material impact to net pension liability accounted for in the financial statements.</p>
<p>Our assessment and work undertaken:</p>	<p>As part of our work we reviewed the controls that the Organisation has in place over the information sent directly to the administering authority/Pension Fund. Administering authority/Pension Fund is responsible for submitting the information to the Scheme Actuary. We also liaised with the auditors of the Pension Fund in order to gain an understanding of the effectiveness of those controls operated by the Pension Fund. We assessed the controls with respect to the management review of assumptions used in the valuation report and accounts. We also evaluated the competency, objectivity and independence of AON.</p> <p>We reviewed the appropriateness of the key assumptions included within the valuation, compared them to expected ranges and involved a KPMG Actuary to provide a specialist assessment of those assumptions. We also reviewed the methodology applied in the valuation by AON.</p> <p>In addition, we reviewed the overall Actuarial valuation and considered the disclosure implications in the financial statements.</p> <p>In order to determine whether the net pension liability has been appropriately accounted for we also considered the valuation of the pension assets. We then liaised with the actuary to understand how these assets are allocated across participating bodies and re-performed this allocation. We have liaised with the Pension Fund administering authority to test the actual rate of return achieved against the estimated value used by the Actuary.</p> <p>We have re-performed the Rate of Return calculation and liaised with AON to understand the impact that the actual rates achieved and the potential impact on the estimates included in the Financial Statements and have concluded that the estimate included is reasonable, however at the cautious end of the reasonable scale.</p> <p>We have set out our view of the assumptions used in valuing pension assets and liabilities at page 14.</p>

Judgements (cont.)

Subjective area

2018

2017

Commentary

Valuation of pension assets and liabilities

Assets £89m (£95m 2017)

Liabilities £116m (£120m 2017)

The Organisation continues to use Hymans Robertson to provide actuarial valuations in relation to the assets and liabilities recognised as a result of participation in the Local Government Pension Scheme. Due to the overall value of the pension assets and liabilities, small movements in the assumptions can have a significant impact on the overall valuation.

Overall, the actual assumptions adopted by the actuary fell within our expected ranges.

Assumption	Actuary Value	KPMG central	Assessment
------------	---------------	--------------	------------

Discount rate	2.90%	2.81%	4
---------------	-------	-------	---

CPI inflation	2.40%	2.42%	2
---------------	-------	-------	---

Net discount rate	0.3%	0.19-0.49%	3
-------------------	------	------------	---

Salary Growth	3.45%	In line with strategy	3
---------------	-------	-----------------------	---

Life expectancy male / female 45 Male /female 65	CMI 2016 projections model, 1.5%long- term trend rate and a smoothing parameter of 7.5	CMI 2017 projections model, 1.25%long-term trend rate and a smoothing parameter of 7.5	3
--	---	--	---

Rate of Return on Assets – The Actuary has used -4.5% as the overall rate of return on Assets for the year to 31.12.18. The Pension Fund Administrating body and Actuary have indicated that the actual rate of return was - 3.5%. The Rate of Return estimate was potentially understated by £1.05m. Therefore a cautious estimate is included in the Financial Statements.

1

Overall the estimates are reasonable.

Opinion and audit differences

We plan to issue an unqualified audit opinion for the 2018 Financial Statements when the outstanding pensions issue is finalised..

Audit differences

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

The final materiality (see Appendix 4) for this year's audit was set at £2 million. Audit differences below £100k are not considered significant.

Our audit did not identify any material audit differences.

Opinion and audit differences (cont.)

Annual governance statement

We have reviewed the Organisation's 2018 Annual Governance Statement and confirmed that it is not misleading and is consistent with other information we are aware of from our audit of the financial statements.

Narrative report

We have reviewed the Organisation's 2018 narrative report and have confirmed that it is consistent with the financial statements and our understanding of the Organisation.



Completion

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Organisation's 2018 financial statements.

We intend to issue our audit opinion on conclusion of the pension asset issue.

Declaration of independence and objectivity

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of Yorkshire Purchasing Organisation for the year ending 31 December 2018, we confirm that there were no relationships between KPMG LLP and Yorkshire Purchasing Organisation, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards in relation to independence and objectivity.

We have provided a detailed declaration in [Appendix 5] in accordance with ISA 260.

Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the Responsible Finance Officer for presentation to the Management Committee. We require a signed copy of your management representations before we issue our audit opinion.

Other matters

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- Significant difficulties encountered during the audit;
- Significant matters arising from the audit that were discussed, or subject to correspondence with management;
- Other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process; and
- Matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions/objections, opening balances etc.).

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report or our previous reports relating to the audit of the Organisation's 2018 financial statements.

Section three

Value for Money Arrangements



Section three: Value for Money arrangements

Specific value for money risk areas

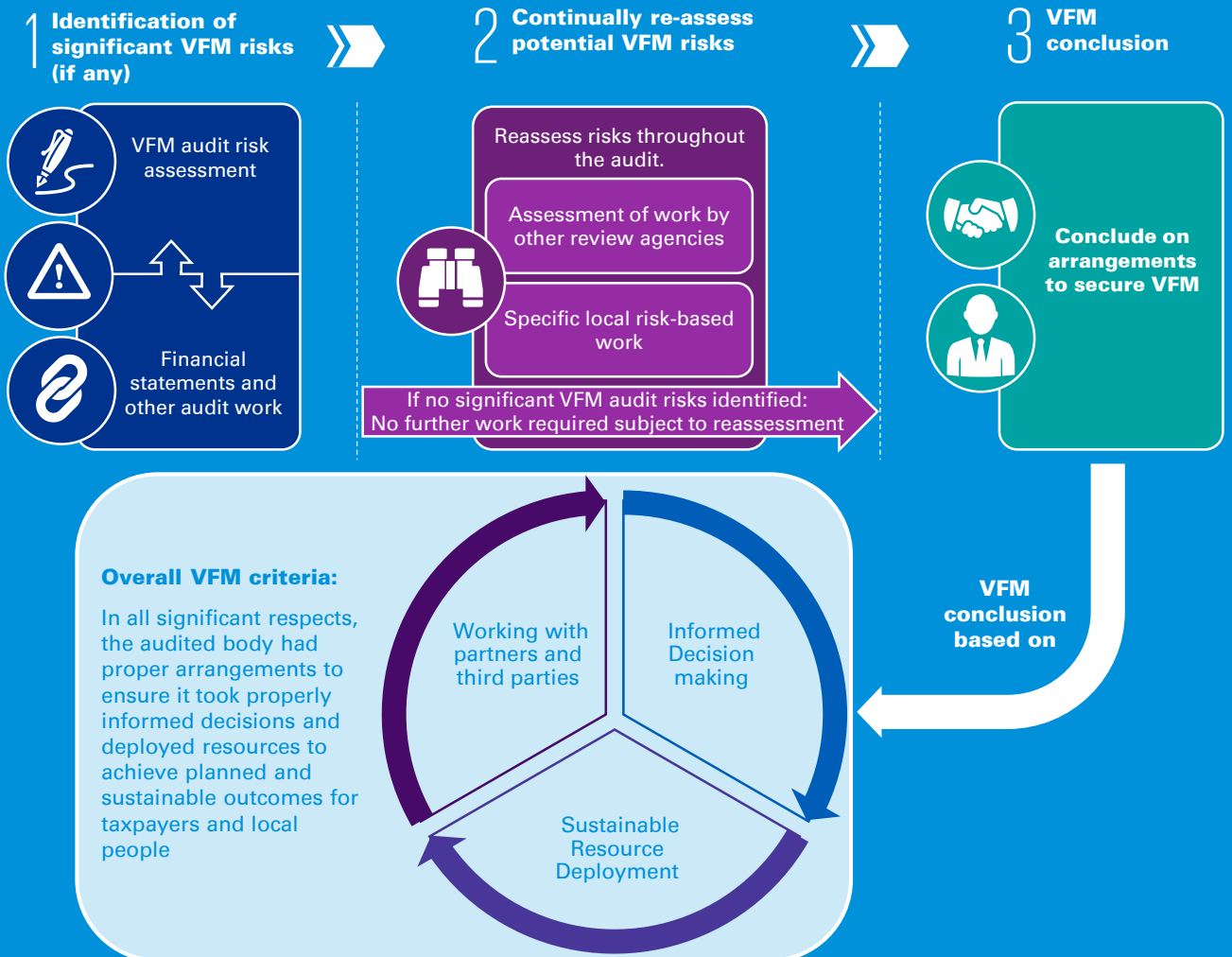
We are not required to provide a conclusion on the Organisations arrangements to ensure it properly informed decisions and deployed resources to achieve planned outcomes. However management have requested such an assessment.

We follow a risk based approach to target audit effort on the areas of greatest audit risks

Note that we are not required to provide a conclusion on the Organisations arrangements to ensure it properly informed decisions and deployed resources to achieve planned outcomes and sustainable outcomes. However management have requested such an assessment.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to ‘take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor’s judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body’s arrangements.’

We follow a risk based approach to target audit effort on the areas of greatest audit risk.



Value for money risk assessment

As communicated to you in our *External Audit Plan 2018* and as updated throughout the audit, we have identified no risks requiring specific audit attention and procedures to address the likelihood that proper arrangements are not in place to deliver value for money.

In all cases we are satisfied that external or internal scrutiny provides sufficient assurance that the Organisation’s current arrangements in relation to these risk areas are adequate.

The table below summarises our overall assessment of VFM identified against the three sub-criteria.

VFM assessment summary			
	Informed decision-making	Sustainable resource deployment	Working with partners and third parties
Overall summary	✓	✓	✓

We are not required to provide a conclusion on the Organisations arrangements to ensure it properly informed decisions and deployed resources to achieve planned outcomes. However management have requested such an assessment.

On the basis of the work done, we would be able to conclude that the Organisation has made proper arrangements if we were required to do so.

Further details on the work done and our assessment are provided below.

Work Completed

In line with the risk-based approach set out on the previous page, and in our *External Audit Plan* we have:

- Assessed the Organisation’s key business risks which are relevant to our VFM conclusion;
- Identified the residual audit risks for our VFM conclusion, taking account of work undertaken in previous years or as part of our financial statements audit; and
- Considered the results of relevant work by the Organisation and other review agencies in relation to these risk areas.

Key Findings

We concluded that we did not need to carry out additional work as no residual audit risks were identified during our risk assessment.

Appendices



Appendix 1:

Key issues and recommendations

Our audit work on the Organisation's 2018 financial statements has identified no issues.

Appendix 2:

Follow-up of prior year recommendations

The Authority has implemented all of the recommendations raised through our previous audit work.

This appendix summarises the progress made to implement the recommendations identified in our *ISA 260 Report 2017* and outstanding recommendations from previous audit years and re-iterates any recommendations still outstanding.

Number of recommendations that were

Included in the original report	6
Implemented in year or superseded	6
Outstanding at the time of our interim audit	-

Appendix 3:

Audit differences

We are required by ISA 260 to report all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance.

We are also required to report all material misstatements that have been corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities.

A small number of minor amendments focused on presentational improvements have also been made to the 2018 draft financial statements. The Finance team is committed to continuous improvement in the quality of the financial statements submitted for audit in future years.

Adjusted audit differences

No adjusted audit differences

Unadjusted audit differences

There are no unadjusted audit differences.

Materiality and reporting of audit differences

The assessment of what is material is a matter of professional judgment and includes consideration of three aspects: materiality by value, nature and context.

Material errors by value are those which are simply of significant numerical size to distort the reader's perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements.

Errors which are material by nature may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff.

Errors that are material by context are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.

We used the same planning materiality reported in our *External Audit Plan 2018*, presented to you in January 2019.

Materiality for the Authority's accounts was set at £2 million which equates to around 1.76 percent of revenue. We design our procedures to detect errors in specific accounts at a lower level of precision.

Reporting to the Management Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Management Committee any misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260, we are obliged to report omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

ISA 450 requires us to request that uncorrected misstatements are corrected.

In the context of the Organisation, an individual difference is considered to be clearly trivial if it is less than £100 thousand for the Organisation.

Where management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Management Committee to assist it in fulfilling its governance responsibilities.

Appendix 5:

Required communications with the Management Committee

We have provided below at-a-glance summary of the information we are required to report to you in writing by International Accounting Standards.

Required Communication	Commentary
Our draft management representation letter	We have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 December 2018.
Adjusted audit differences	We have identified no adjusted misstatements..
Unadjusted audit differences	There are no unadjusted audit differences, however currently there is a material uncertainty on Pensions - See page 24 for further details
Related parties	There were no significant matters that arose during the audit in connection with the entity's related parties.
Other matters warranting attention by the Management Committee	There were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process.
Control deficiencies	We have set out our assessment of the Organisation's internal control environment, including details of one significant deficiency identified, in Section one of this report (see pages 5 to 6).
Actual or suspected fraud, noncompliance with laws or regulations or illegal acts	We identified no actual or suspected fraud involving the Organisation's Member or officers with significant roles in internal control, or where the fraud resulted in a material misstatement in the financial statements.
Significant difficulties	No significant difficulties were encountered during the audit.
Modifications to auditor's report	There are no modifications to our audit report.
Disagreements with management or scope limitations	The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit.

Appendix 5:

Required communications with the Management Committee (cont.)

Required Communication	Commentary
Other information	<p>No material inconsistencies were identified related to other information in the Narrative Report or Annual Governance Statement.</p> <p>These reports were found to be fair, balanced and comprehensive, and compliant with applicable requirements.</p>
Our declaration of independence and any breaches of independence	<p>No matters to report.</p> <p>The engagement team have complied with relevant ethical requirements regarding independence.</p> <p>See Appendix [6] for further details.</p>
Accounting practices	<p>Over the course of our audit, we have evaluated the appropriateness of the Organisation’s accounting policies, accounting estimates and financial statement disclosures. In general, we believe these are appropriate.</p> <p>We have set out our view of the assumptions used in valuing pension assets and liabilities at page 15.</p>
Significant matters discussed or subject to correspondence with management	<p>There were no significant matters arising from the audit which were discussed, or subject to correspondence, with management.</p>



Declaration of independence

ASSESSMENT OF OUR OBJECTIVITY AND INDEPENDENCE AS AUDITOR OF YORKSHIRE PURCHASING ORGANISATION

Professional ethical standards require us to provide to you at the conclusion of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code of Audit Practice, This Statement is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners, Audit Directors and staff annually confirm their compliance with our ethics and independence policies and procedures. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values
- Communications
- Internal accountability
- Risk management
- Independent reviews.

We are satisfied that our general procedures support our independence and objectivity.

Appendix 6:

Declaration of independence (cont.)

Independence and objectivity considerations relating to the provision of non-audit services

Summary of fees

We have considered the fees charged by us to the authority and its controlled entities for professional services provided by us during the reporting period. We have detailed the fees charged by us to the organisation, as well as the amounts of any future services which have been contracted or where a written proposal has been submitted. Total fees charged by us for the period ended 31 December 2018 can be analysed as follows:

	2018 £	2017 £
Audit of the Organisation	23,792	23,135
Total audit services	23,792	23,135
Allowable non-audit services	-	-
Audit related assurance services	-	-
Mandatory assurance services	-	-
Total Non Audit Services	-	-

We are in the process of agreeing a fee overrun regarding the additional work we have undertaken on the issue regarding the pension rate of return.



The key contacts in relation to our audit are:

Rashpal Khangura

Director

T: +44 (0) 113 231 3396

E: rashpal.khangura@kpmg.co.uk

Matthew Moore

Manager

T: +44 (0) 113 231 3663

E: matthew.moore@kpmg.co.uk

kpmg.com/uk



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	<p>YPO</p> <p>MANAGEMENT COMMITTEE</p> <p>TO BE HELD ON</p> <p>21ST JUNE 2019</p>
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SUBJECT: AUDITED STATEMENT OF ACCOUNTS 2018

REPORT OF: DEPUTY MANAGING DIRECTOR

1 PURPOSE OF REPORT

1.1 To present the audited Statement of Accounts for 2018.

2 SUMMARY

2.1 The Statement of Accounts 2018 has been externally audited and the auditors have issued an unqualified opinion.

3 BACKGROUND

3.1 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.

3.2 Although the compliance noted in 3.1 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 each year going forward.

3.2 The pre-audit Statement of Accounts 2018 was approved for external audit at the Audit and Scrutiny Sub Committee on 15th February 2019.

3.3 The external audit commenced on site from the 11th March 2019 until 29th March 2019.

3.4 No recommendations have been made by the external auditors and as a result no amendments have been made to the pre-audit Statement of Accounts.

3.5 A full list of all audit findings is contained within the External Audit report.

4 RECOMMENDATION

4.1 That the audited Statement of Accounts be approved and signed for 2018.

5 WHAT DOES THIS MEAN FOR YPO STAKEHOLDERS?

5.1 An unqualified audit opinion gives stakeholders some assurance that the organisation is acting within the protocols of good financial management.

6. OUTCOME AND SUSTAINABILITY

6.1 An unqualified audit opinion is a good outcome and acknowledges 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.

7. FINANCIAL IMPLICATIONS

7.1 The audit fee for 2018 was £24K.

8. LEGAL IMPLICATIONS

8.1 There are no legal implications arising from this report.

9. EQUALITY IMPLICATIONS / EQUALITY OF OPPORTUNITY IMPLICATIONS

9.1 This report does not have any impact on Equality and Diversity.

10. RISK ASSESSMENT

10.1 There is no risk associated with this report.

SERVICE DIRECTOR: PAUL SMITH, DEPUTY MANAGING DIRECTOR

YPO
41 Industrial Park,
Wakefield
WF2 0XE

Telephone No: 01924 834969

E-mail address: paul.smith@ypo.co.uk

**CONTACT OFFICERS: STEVEN HALL, HEAD OF FINANCE/ MATTHEW HIRST,
FINANCIAL CONTROLLER**

YPO
41 Industrial Park
Wakefield
WF2 0XE

Telephone No: 01924 821775 / 821740

E-mail addresses: Steven.hall@ypo.co.uk Matthew.hirst@ypo.co.uk

APPENDIX:

Appendix 1 – Audited Statement of Accounts 2018

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YORKSHIRE PURCHASING ORGANISATION



**AUDITED
STATEMENT
OF ACCOUNTS
2018**

41 Industrial Park • Wakefield • WF2 0XE

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 2018. The Narrative Statement 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 of Parliament 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 sixty five associate member authorities of YPO as of 31st December 2018, 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
Tameside Council	2015
Lancaster City Council	2015
Walsall Council	2015
Cheshire Fire and Rescue Service	2016
Coventry City Council	2016
Craven District Council	2016

Narrative Statement by the Managing Director

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
Salford City Council	2016
Sefton Borough Council	2016
Solihull Metropolitan Borough Council	2016
Wyre Council	2016
Allerdale Borough Council	2017
Devon County Council	2017
London Borough of Camden	2017
London Borough of Haringey	2017
London Borough of Westminster	2017
Pendle Borough Council	2017
Buckinghamshire County Council	2018
Harrogate Borough Council	2018
Humberside Police Service	2018
North Yorkshire Police Service	2018
Police and Crime Commissioner for Merseyside	2018
Telford and Wrekin Council	2018

Certain services, including legal, treasury and internal audit, are provided by the 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.

As a result this will be a non-statutory audit meaning that compliance with the Accounts and Audit Regulations 2015 is not mandatory.

We have continued to categorise our Reserves as "Usable" and "Unusable" in line with the C.I.P.F.A Code of Practice. This is purely for presentational needs and we acknowledge that any powers attributed to this classification no longer applies to the organisation.

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 December 2018 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.

Narrative Statement by the Managing Director

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 Chief Finance Officer 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.

4. FINANCIAL SUMMARY

The 2018 budget approved in November 2017 was for a turnover of £112m and a surplus of £8.2m, excluding any income for pensions interest or expenditure financed from earmarked reserves.

Invoiced sales for the year are £112.9m and the reported surplus on trading of £8.571m is over the budget set of £8.2m by £0.371m, this excludes any income for pensions interest or expenditure financed from earmarked reserves.

Turnover targets for the year included growth aspirations in Education, despite difficult markets and decline in spend over the last 2 years, and geographical growth in the newer territories of the south of England and London Boroughs. These targets were met and exceeded with combined growth in Primary and Secondary Education of 4.8% against a background of overall market growth of 3.6% (BESA/C3 Education – Resources in English Maintained Schools research). Declines in turnover were experienced in the Early Years and Local Authority sectors, and overall the Food Category was affected significantly by adverse weather conditions and mainly changes to Multi Academy Trust purchasing decisions, although the increases in Education spend outweighed these.

Income from stock and framework contracts at £4.8m were under the budget of £5.6m, mainly due to our Emergency Services, Stock and Furniture categories under-achieving. The 2018 numbers have also been adversely impacted by an over accrual at the 2017 year end due to Q4 framework activity not materialising as expected across these areas. The year end accrual for 2018 has been prudently set to avoid a re-occurrence of this in 2019.

Operating costs for 2018 were £29.971m, £0.108m over budget and £0.828m under 2017. The main overspends in the year were across Transport and Stocktake Adjustments. Within transport our hired carrier costs were greater than expected due to a combination of increased driver's sickness and higher stores sales volumes both of which resulted in a higher number of consignments being fulfilled by third parties. The increase in stock adjustments is linked to the introduction of our Perpetual Inventory team from January which has brought with it greater volumes of items counted in the year. Partially offsetting these overspends are people savings due to the vacancies that we have held during the year.

In 2018 £0.989m of expenditure was funded through the internal earmarked reserve funds. This was planned expenditure approved at the November 2016 and November 2017 Management Committees.

Trade debtors are at £8.9m, the same as 2017. Despite higher sales in the year the similar amounts in year end debtors highlights the effective credit control processes in place.

The net assets of the organisation as at 31st December 2018 are £14.483m, a slight decrease on the £14.687m in last years accounts. Net current assets have remained stable and are at a similar position to that of last year with slight decreases in cash and debtor balances corresponding to the increase in inventories and reduction in creditors. In the year we introduced our Treasury Management Policy which as at 31st December saw £5m invested with various local authorities in accordance with the agreed policy. The objectives of the Treasury Management policy are to minimise the risk associated with our cash holdings and to maximise the potential returns from our cash position.

On the Balance Sheet is also an amount of £0.5m shown as Debtors: Amounts due after more than one year, this represents a loan issued to one of our related parties, YPO Procurement Holdings. A loan agreement has been drawn up and the full amount plus the accrued daily interest is repayable in full by the end of 2030.

Narrative Statement by the Managing Director

Cash flow movement in the year has reduced the cash at bank balances by £1.2m. This reflects the operating performance of the organisation in the year and reconciles to the in-year profits, dividends paid, capital expenditure and loans issued. It also reflects the movements in stock, debtors and creditors for the year. The loans issued relates to £0.5m paid to YPO Procurement Holdings Limited, the purpose of the loan was to enable YPO Procurement Holdings Limited to invest in EdTech Impact Limited in the year.

£0.5m of Capital Expenditure was incurred in the year for the purchase of new fleet, warehouse equipment and software assets.

An agreed dividend distribution of £7.492m for the trading year 2017 was distributed in September 2018. This distribution, as last year, included all customers.

5. RETIREMENT BENEFITS

The value of the organisation's retirement benefits liability as at 31 December 2018 was £26.5 million (31 December 2017 £25.6 million). This increase is due to the reduction in the funds asset returns over the accounting period outweighing an increase in the discount rate assumptions used.

The employer's contribution rate was 14.4% in 2018. (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.

6. SIGNIFICANT MATTERS

The budget submission for the 2018 financial year was given approval by the Management Committee at the meeting in November 2017. The budget was built on assumptions of sales growth on our core business from 2017 and an increase in our contractual rebate income for the year. As part of our future proofing programme we also incorporated a net savings target of £1.1m into our overheads budget for 2018, this along with the expected inflation costs for the year resulted in a budgeted operating costs to sales ratio of 25.40% .

A dividend distribution of £7.492m declared in respect of the 2017 trading year, was distributed in September 2018. This included a non cash loyalty bonus of £1.5m 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 2018 between the above companies are classed as related party transactions.

7. MEDIUM TERM FINANCIAL STRATEGIES

The 2019 Budget was approved by the Management Committee in November 2018 for the second year of our three year strategy. This strategy focuses on relevance and the importance of YPO remaining relevant not only to their owners and various customer groups but also to an ever changing marketplace. This will ensure we remain competitive whilst continuing to deliver value for money to all public sector organisations when procuring goods and services.

A medium term financial strategy has also been drawn up alongside the 2019 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.

Within the medium term financial strategy we have prudently estimated that our sales demand remains at current volumes plus inflation over the planning period. This along with an expected growth within our rebates business and a continued focus on efficiencies within our overheads should see net profits increased by 2023.

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 Chief Finance Officer 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 CHIEF FINANCE OFFICER

The Chief Finance Officer 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 Chief Finance Officer 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 Chief Finance Officer has also:

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

CHIEF FINANCE OFFICER

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 2018 and its Income and Expenditure for the year then ended.

.....

NEIL WARREN
Chief Finance Officer

APPROVAL OF THE ACCOUNTS

As the Chair of the body considering the Yorkshire Purchasing Organisation's Statement of Accounts for 2018, I certify that the Accounts have been approved by the Management Committee and are authorised for issue.

.....

Cllr LES SHAW
Chairperson YPO Management Committee

Auditors Opinion

INDEPENDENT AUDITOR'S REPORT TO YORKSHIRE PURCHASING ORGANISATION

REPORT ON THE NON-STATUTORY ACCOUNTS

Opinion

We have audited the non-statutory accounts of Yorkshire Purchasing Organisation for the year ended 31 December 2018 which comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure Account, Balance Sheet, Cashflow Statement and related notes, including the accounting policies in note 1. The non-statutory accounts have been prepared for the reasons set out in note 1.

In our opinion the non-statutory accounts:

- give a true and fair view of the state of the Organisation's affairs as at 31 December 2018 and of its profit for the year then ended; and
- have been properly prepared on the basis of the financial reporting framework of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and the terms of our engagement letter dated 9 June 2016. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the non-statutory financial statements on the going concern basis as they do not intend to liquidate the Organisation or to cease its operations, and as they have concluded that the organisation's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the non-statutory financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the non-statutory financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the organisation's business model, including the impact of Brexit, and analysed how those risks might affect the organisation's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

Auditors Opinion

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the organisation will continue in operation.

Other information

The Managing Director of Yorkshire Purchasing Organisation is responsible for the other information, which comprises of the Narrative Statement. Our opinion on the non-statutory accounts work does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our non-statutory accounts audit work, the information therein is materially misstated or inconsistent with the non-statutory accounts or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Matters on which we are required to report by exception

Under the terms of our engagement we are required to report to you if, in our opinion:
We to report to you if:

- the Annual Governance Statement which accompanies the financial statements does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- the information given in the Narrative Statement for the financial year for which the financial statements are prepared is not consistent with the financial statements

Statement of responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the non-statutory accounts, which are intended by them to give a true and fair view; such internal control as they determine is necessary to enable the preparation of non-statutory accounts that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities

The purpose of our audit work and to whom we owe our responsibilities

Our report has been prepared for the Organisation solely in accordance with the terms of our engagement in connection with the Joint Committee decision to prepare non-statutory accounts. It has been released to the Organisation on the basis that our report shall not be copied, referred to or disclosed, in whole (save for the Organisation's own internal purposes) or in part, without our prior written consent.

Auditors Opinion

Our report was designed to meet the agreed requirements of the Organisation determined by the Organisation's needs at the time. Our report should not therefore be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Organisation for any purpose or in any context. Any party other than the Organisation who obtains access to our report or a copy and chooses to rely on our report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, KPMG LLP will accept no responsibility or liability in respect of our report to any other party.

Rashphal Khangura for and on behalf of

KPMG LLP

Chartered Accountants

1 Sovereign Square

Sovereign Street

Leeds

LS1 4DA

June 2019

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.

2017 Re-stated	£000's											
	Usable Reserves			Unusable Reserves								Total Reserves
	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			
Balance as at 31 December 2016	28,818	85	1,770	10,545	(29,895)	(111)	0	30,674	(19,461)	11,213		
Movement in Reserves during 2017												
Surplus or (Deficit) on Operations	(3,552)							(3,552)	0	(3,552)		
Other Comprehensive Income					7,016		0	0	7,016	7,016		
Total Comprehensive Expenditure and Income	(3,552)	0	0	0	7,016	0	0	(3,552)	7,016	3,464		
Adjustments between accounting basis and funding basis under regulation				10								
Net Increase / (Decrease) before transfer to Earmarked Reserves	(3,552)	0	0	10	7,016	0	0	(3,552)	7,026	3,474		
Transfer (to) / from Earmarked Reserves	2,994		(74)	(228)	(2,692)		0	2,920	(2,920)	0		
Increase / (Decrease) in Movement in Year	(557)	0	(74)	(218)	4,324	0	0	(632)	4,106	3,474		
Balance as at 31 December 2017	28,261	85	1,696	10,327	(25,571)	(111)	0	30,042	(15,355)	14,687	13	

2018	£000's											
	Usable Reserves			Unusable Reserves								Total Reserves
	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			
Balance as at 31 December 2017	28,261	85	1,696	10,327	(25,571)	(111)	0	30,042	(15,355)	14,687		
Movement in Reserves during 2018												
Surplus or (Deficit) on Operations	(2,189)							(2,189)	0	(2,189)		
Other Comprehensive Income					1,829		156	0	1,985	1,985		
Total Comprehensive Expenditure and Income	(2,189)	0	0	0	1,829	0	156	(2,189)	1,985	(204)		
Adjustments between accounting basis and funding basis under regulation								0	0	0		
Net Increase / (Decrease) before transfer to Earmarked Reserves	(2,189)	0	0	0	1,829	0	156	(2,189)	1,985	(204)		
Transfer (to) / from Earmarked Reserves	3,528		(1,086)	298	(2,751)	11	0	2,442	(2,442)	0		
Increase / (Decrease) in Movement in Year	1,339	0	(1,086)	298	(922)	11	156	253	(457)	(204)		
Balance as at 31 December 2018	29,600	85	610	10,625	(26,493)	(100)	156	30,295	(15,812)	14,483	13	

*2017 has been re-stated to increase Capital Expenditure in the year by £41K. The costs, which were funded through the Internal Investment Reserve, were for the first installment of new warehouse equipment and were expensed against the Profit and Loss account. The re-statement has reduced both the deficit on the provision of service and the transfer between the General fund and CAA. The net result of the adjustment is an increase in the closing balances of the CAA and Total Reserves by £41K.

Comprehensive Income and Expenditure Account

Re-stated 2017 £'000		2018 £'000	<u>Note</u>
110,965	<i>Invoiced Turnover</i>	112,881	1(b),6
<u>(80,316)</u>	<i>Cost of Sales</i>	<u>(81,239)</u>	
30,649	<i>Gross Margin</i>	31,642	
128	Discounts	137	
5,299	Rebates	4,773	1(b),6
2,216	Other Income	1,990	1(b),6
<u>38,292</u>	<i>Gross Surplus</i>	<u>38,542</u>	
	<i>Operating Expenses</i>		
(18,001)	Employees	(17,719)	
(1,224)	Premises	(984)	
(6,809)	Supplies and Services	(7,051)	
(4,608)	Transport	(4,685)	
(127)	S.L.A. Costs	(127)	
(267)	Financial and Miscellaneous	(16)	
(270)	Depreciation and revaluation increase/(decrease)	(191)	1(e),8
(1,909)	Pension service gain(cost) net of charges made to the general fund	(2,138)	1(h),7
<u>(33,214)</u>	<i>Net Operating Expenditure</i>	<u>(32,912)</u>	
<u>5,078</u>	<i>Surplus/(deficit) on trading operations</i>	<u>5,630</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>		
(783)	Pensions Interest Cost and Expected Return on Pension Assets	(613)	1(h),7
17	Interest Receivable	47	
(7,864)	Dividend paid	(7,253)	
<u>(8,629)</u>		<u>(7,820)</u>	
<u>(3,552)</u>	<i>Surplus/(Deficit) on provision of service</i>	<u>(2,189)</u>	
	<i>Other Comprehensive income and expenditure</i>		
7,016	Actuarial gains / (losses) on pension assets / liabilities	1,829	
0	Gains / (losses) on revaluations of PPE and depreciation	156	
<u>7,016</u>		<u>1,985</u>	
<u>3,464</u>	<i>Total comprehensive Income and Expenditure</i>	<u>(204)</u>	

*2017 has been re-stated to increase Capital Expenditure in the year by £41K. The costs, which were funded through the Internal Investment Reserve, were for the first installment of new warehouse equipment and were expensed against the Profit and Loss account. The re-statement has reduced the operating expenditure in the year by £41K and therefore subsequently increased the surplus/(deficit)s on trading operations and provision of service and the Total comprehensive Income and Expenditure by the same amount.

BALANCE SHEET

The Balance Sheet shows the value as at 31st December 2018 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.

Re-stated 31st Dec 2017 £'000		31st Dec 2018 £'000	Note
ASSETS AND LIABILITIES			
Long term Assets			
Property, Plant and Equipment			
9,000	Land and Buildings	9,228	1(e),8
653	Vehicles, Furniture & Equipment	1,029	1(e),8
<u>0</u>	Intangible Assets	<u>70</u>	1(e),8
9,653	Total Long Term Assets	10,328	
Current Assets			
12,749	Inventories	14,456	1(m),9
14,654	Short term debtors	13,137	1(u),10
<u>11,183</u>	Cash and cash equivalents	<u>9,954</u>	
38,587	Total Current Assets	37,547	
<u>0</u>	Debtors: Amounts due after more than one year	<u>500</u>	
Current Liabilities			
<u>(7,982)</u>	Short term creditors	<u>(7,247)</u>	1(v),11
(7,982)	Total Current Liabilities	(7,247)	
30,605	Net Current Assets	30,300	
Long term Liabilities			
0	Liability relating to Finance Leases	(151)	
<u>(25,571)</u>	Liability relating to Defined Benefit Pension Scheme	<u>(26,493)</u>	1(h),7
14,687	Net Assets	14,483	
Financed by:			
Usable Reserves			
28,261	General Fund	29,600	
85	Usable Capital Receipts Reserve	85	1(g),13
1,696	Internal Investment reserve	610	1(g),13
Unusable Reserves			
10,327	Joint Committee Capital Adjustment Account	10,625	1(g),13
<u>(25,571)</u>	Pension Reserve	<u>(26,493)</u>	1(h),7,13
<u>(111)</u>	Earmarked Accumulated Absences Account	<u>(100)</u>	1(g),13
0	Revaluation Reserve	156	1(g),13
14,687	Total Reserves	14,483	

*2017 has been re-stated to increase Capital Expenditure in the year by £41K. The re-statement has increased the value of Vehicles, Furniture and Equipment within Fixed Assets by £41K and also increased the closing balance of the Joint Committee Capital Adjustment Account by £41K.

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.

Re-stated

	2017 £'000		2018 £'000
	(3,552)	Net surplus/(deficit) on the provision of service	(2,189)
		Adjustment to the net surplus/(deficit) for non cash movements	
	270	Depreciation and revaluation increase/(decrease)	177
	(537)	(Increase)/Decrease in Inventories	(1,707)
	(2,301)	(Increase)/Decrease in Debtors	1,517
	2,692	(Increase)/Decrease in Pension Liability	2,751
	439	Increase/(Decrease) in Creditors	(790)
	(1,212)	Redemption of loyalty vouchers	(1,132)
	(650)		817
		Adjustments for items included in the net surplus/(deficit) that are financing/investing activities	
	7,864	Proceeds from sale of PPE	7,253
	7,864	Dividend payment	7,253
	3,662	Net cash flows from operating activities	5,881
		Investing Activities	
	(41)	Purchase of PPE	(489)
	0	Proceeds from Sale of PPE	0
	(41)		(489)
		Financing Activities	
	0	Loans issued	(500)
	(6,651)	Dividends paid to Members	(6,122)
	(6,651)		(6,622)
	(3,031)	Net Increase/(Decrease) in Cash and Cash Equivalents	(1,229)
	14,214	Cash and Cash Equivalents at the beginning of the reporting period	11,183
	11,183	Cash and Cash Equivalents at the end of the reporting period	9,954

Note on operating activities		
	The cash flows from operating activities include the following items	
17	Interest Receivable	47
17		47

**2017 has been re-stated to increase Capital Expenditure in the year by £41K, the costs had been expensed against the Profit and Loss Account. The re-statement has reduced the net deficit on the provision of service by £41K and therefore increased the net cash flows from operating activities by £41K. The purchase of PPE within investing activities has also increased by £41K resulting in the net decrease in cash for the year remaining unchanged.*

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 2017/18 and Service Reporting Code of Practice 2017/18, 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

Notes to the Core Financial Statements

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.

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 30th November 2018, 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	2018
41 Industrial Park	43 years
Flanshaw Way	39 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.

Notes to the Core Financial Statements

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 & Software intangible assets - IT & Website 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

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 2.9% on funded liabilities and 2.9% 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.

Notes to the Core Financial Statements

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.

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

All 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.

Notes to the Core Financial Statements

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, investments, loans receivable, 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.

Investments made with other organisations earn a fixed interest agreed at the time of investment and are for a fixed term. Interest earned on investments are credited to the Comprehensive Income and Expenditure Statement.

Loans receivable constitute loans issued by the organisation, all loans accrue interest on a daily basis and are for a fixed term.

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.

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 investments made with other local authorities which earn a fixed interest rate over a specific term, usually for a period of 6 to 12 months.

Notes to the Core Financial Statements

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 2017/18 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 2019 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 existing leases to the 31st December 2017 constitute operating leases and therefore have no impact on the re-statement to and IFRS basis of accounting. In 2018 a lease agreement for the supply of IT equipment has been classified as a Finance lease due to all the risks and rewards relating to the leased equipped transferring to YPO, details of this lease are included within note 15 of this statement.

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.

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.

Notes to the Core Financial Statements

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 £2.158m.

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 10% this would represent a movement of around £171K.

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 2019 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 2018 was £112.9m, £0.9m above the budget for the year and up on last year by £2m.

There has been an adverse impact on rebate income in the year of £0.513m due to an over accrual of expected income in the 2017 year end accounts.

Third party carrier costs were £0.374m over budget due to a combination of Driver's sickness and higher stock sales. Both of which resulted in a greater number of consignments being fulfilled by external parties.

Stock take adjustments were over budget by £0.518m due to the introduction of our Perpetual Inventory team and an increased number of stock counts in the year. This overspend was offset by a general contingency within the budget, this contingency was included to ease the pressures of our future proofing programme which had initially removed £2m from our overheads budget.

An agreed dividend distribution of £7.492m for the trading year 2017 was distributed in September 2018. This distribution included all customers. As at the 31st December 2018 there was a balance of £373K 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.

Notes to the Core Financial Statements

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 December 2018 was 14.4%. Employees contributions in 2018 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.

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
	2017	2017	2017	2018	2018	2018
	£'000	£'000	£'000	£'000	£'000	£'000
Comprehensive Income and Expenditure Account						
Cost of Service						
Current Service Cost	3,662	0	3,662	4,012	0	4,012
Past Service (Gain)/Cost	20	0	20	155	0	155
Curtailment (Gain)/Loss	0	0	0	0	0	0
Financing and investment income and Expenditure						
Net interest Expense	758	25	783	591	22	613
Total Post Employment Benefit Charged to the surplus or Deficit on the Provision of Services	4,440	25	4,465	4,758	22	4,780
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	(7,387)	0	(7,387)	6,731	0	6,731
Actuarial (Gains) and losses-demographic assumptions	(3,311)	(22)	(3,333)	0	0	0
Actuarial (Gains) and losses-experience	(2,131)	(7)	(2,138)	415	7	422
Actuarial (Gains) and losses-financial assumptions	5,827	15	5,842	(8,953)	(29)	(8,982)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(2,562)	11	(2,551)	2,951	0	2,951
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	(4,440)	(25)	(4,465)	(4,758)	(22)	(4,780)
Actual amount charged against the General Fund balance for pensions in the year:						
- employer's contributions to the pension scheme	1,710		1,710	1,967		1,967
-retirement benefits payable to pensioners		63	63		62	62
Total Charge against the General fund	(2,730)	38	(2,692)	(2,791)	40	(2,751)

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

	Males		Females	
	2017	2018	2017	2018
Rating to base table	0	0	0	0
Scaling to base table rates (Current)	100%	105%	90%	90%
Scaling to base table rates (Future)	115%	115%	90%	90%
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)	22.1	22.1	25.2	25.3
Future lifetime from age 65 (currently aged 45)	23	23.1	27	27.1

Notes to the Core Financial Statements

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	
	2017	2018	2017	2018
	£000s	£000s	£000s	£000s
Recognised in the Balance Sheet				
Fair value of assets	94,471	89,062	0	0
Present value of the defined benefit obligation	(119,120)	(114,695)	(922)	(860)
Net liability arising from defined benefit obligation	(24,649)	(25,633)	(922)	(860)

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.

	2017	2018
	£'000	£'000
Balance at 1st January	85,381	94,471
Interest income	2,298	2,350
Remeasurement gains/ (losses) on assets	7,387	(6,731)
Employer contributions	1,710	1,967
Contributions by scheme participants	834	810
Benefits paid	(3,139)	(3,805)
Balance at 31st December	94,471	89,062

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

	Funded Liabilities		Unfunded Liabilities	
	2017	2018	2017	2018
	£'000	£'000	£'000	£'000
Balance at 1st January	(114,302)	(119,120)	(974)	(922)
Current Service Cost	(3,662)	(4,012)		
Interest Cost	(3,056)	(2,941)	(25)	(22)
Contributions by scheme participants	(834)	(810)		
Remeasurement gains and (losses)				
<i>Actuarial gains and (losses) - demographic assumptions</i>	3,311	0	22	0
<i>Actuarial gains and (losses) - financial assumptions</i>	(5,827)	8,953	(15)	29
<i>Actuarial gains and (losses) - experience</i>	2,131	(415)	7	(7)
Benefits paid	3,139	3,805	63	62
Past service costs and curtailments	(20)	(155)		
Balance at 31st December	(119,120)	(114,695)	(922)	(860)

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	
	2017	2018
Equity investments	77.30%	74.60%
Property	4.50%	4.20%
Bonds	13.10%	14.30%
Other assets *	5.10%	6.90%
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.

Notes to the Core Financial Statements

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 March 2016 and the unfunded scheme as at 31st December 2017.

	Funded element		Unfunded element	
	2017	2018	2017	2018
Mortality assumptions				
Longevity at 65 for future pensioners				
Men	23.0 years	23.1 years		
Women	27.0 years	27.1 years		
Longevity at 65 for current pensioners				
Men	22.1 years	22.1 years	22.1 years	22.1 years
Women	25.2 years	25.3 years	25.2 years	25.3 years
Rate of Inflation (RPI)	3.30%	3.30%	3.30%	3.30%
Rate of Inflation (CPI)	2.20%	2.20%	2.20%	2.20%
Rate of Increase in Salaries	3.45%	3.45%	-	-
Rate of Increase in Deferred Pensions	2.20%	2.20%	-	-
Rate of Increase in Pensions	2.20%	2.20%	2.20%	2.20%
Rate for discounting scheme liabilities	2.50%	2.90%	2.50%	2.90%
Take-up of option to convert annual pension into retirement lump sum	75.00%	75.00%		

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

	Increase in Assumption £000	Decrease in Assumption £000
Member Life expectancy (+ or - 1 year)	3,365	(3,380)
Rate of increase in salaries (+ or - 0.1%)	549	(543)
Rate of increase in pensions (+ or - 0.1%)	1,645	(1,620)
Rate for discounting scheme liabilities (+ or - 0.1%)	(2,158)	2,199

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 £26,493k 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 2019 are £1.877m. In addition, contributions towards the unfunded obligations will be required. Expected contributions for the discretionary benefits in the year to 31st December 2019 are £0.064m.

The weighted average duration of the defined benefit obligation for scheme members is 19.0 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 2018, the Organisation held the following assets

Property plant and equipment were predominantly represented by 43 Delivery vehicles (2017 = 43), 67 Container units (2017 = 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 2017).

**2017 has been re-stated to increase Capital Expenditure in the year by £41K, the costs had been expensed against the Profit and Loss Account. The re-statement has added £41K to the additions of Furniture & Equipment in 2017 and as a result increased the closing cost and net book value balances for Furniture & Equipment and Total Fixed Assets as at the 31st December 2018 by £41K.*

Property Plant and Equipment

Cost or valuation

Opening balance 1 January 2018 Re-stated
 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 2018

Depreciation and impairments

Opening balance 1 January 2018
 Charge for depreciation 2018
 Disposals
 Impairment
 Acc depreciation write out to gross carrying amount
 Depreciation written out to I&E

At 31 December 2018

Net Book Value at 31 December 2018

Net Book Value at 1 January 2018 Re-stated

2017 Comparative Re-stated

Property Plant and Equipment

Cost or valuation

Opening balance 1 January 2017
 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 - Re-stated
 Impairment
 Disposals

At 31 December 2017 Re-stated

Depreciation and impairments

Opening balance 1 January 2017
 Charge for depreciation 2017
 Disposals
 Impairment
 Acc depreciation write out to gross carrying amount
 Revaluation

At 31 December 2017

Net Book Value at 31 December 2017 Re-stated

Net Book Value at 1 January 2017

	Land & Buildings £'000	Furniture & Equipment £'000	Computers £'000	Vehicles £'000	TOTAL £'000
Opening balance 1 January 2018 Re-stated	9,000	780	925	3,336	14,040
Acc depreciation write out to gross carrying amount				0	0
Revaluation increase / (decrease) recognised in the Revaluation Reserve	156	0	0	0	156
Revaluation increase / (decrease) recognised in the I&E	72	0	0	0	72
Additions	0	72	220	343	635
Impairment					
Disposals					
At 31 December 2018	9,228	851	1,145	3,679	14,903
Opening balance 1 January 2018	0	478	881	3,028	4,387
Charge for depreciation 2018	162	47	31	181	420
Disposals		0	0	0	0
Impairment		0	0	0	0
Acc depreciation write out to gross carrying amount	(162)			0	(162)
Depreciation written out to I&E		0	0	0	0
At 31 December 2018	0	525	912	3,209	4,646
Net Book Value at 31 December 2018	9,228	326	233	470	10,257
Net Book Value at 1 January 2018 Re-stated	9,000	301	44	308	9,653

	Land & Buildings £'000	Furniture & Equipment £'000	Computers £'000	Vehicles £'000	TOTAL £'000
Opening balance 1 January 2017	9,058	738	925	3,336	14,057
Acc depreciation write out to gross carrying amount				0	0
Revaluation increase / (decrease) recognised in the Revaluation Reserve		0	0	0	0
Revaluation increase / (decrease) recognised in the I&E	-58	0	0	0	(58)
Additions - Re-stated	0	41	0	0	41
Impairment					
Disposals					
At 31 December 2017 Re-stated	9,000	780	925	3,336	14,040
Opening balance 1 January 2017	0	436	864	2,915	4,215
Charge for depreciation 2017	157	42	17	112	329
Disposals		0	0	0	0
Impairment		0	0	0	0
Acc depreciation write out to gross carrying amount				0	0
Revaluation	-157	0	0	0	(157)
At 31 December 2017	0	478	881	3,028	4,387
Net Book Value at 31 December 2017 Re-stated	9,000	301	44	308	9,653
Net Book Value at 1 January 2017	9,058	302	61	421	9,842

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.

During 2018 the company invested in the development of an Apprenticeship Levy framework portal which would allow our customers to sign up to a range of apprenticeship courses available through the levy scheme. All spend through the portal would generate a rebate income to YPO. All fees paid to external developers have been capitalised as Intangible Assets and amortised over 3 years from the time the portal became operational.

	2017	2018
	Intangible Assets £'000	Intangible Assets £'000
Cost or valuation		
Opening balance 1 January	118	118
Additions		75
Impairment		
Disposals		
At 31 December	118	192
Amortisation and impairments		
Opening balance 1 January	88	118
Amortisation charge for the year	30	4
Impairment		
Disposals		
At 31 December	118	122
Net Book Value at 31 December	0	70
Net Book Value at 1 January	30	0

9. Inventories

31st Dec 2018	Warehouse Stock £000's	Packing and Materials £000's	Total £000's
Opening inventory balance	12,813	36	12,849
Purchases	62,580	412	62,992
Recognised as an expense in year	(60,683)	(274)	(60,957)
Increase / (Decrease) in Stock in Transit accrual	(181)	-	(181)
Reversals of write offs in previous years	0	-	0
Closing Inventory balance	14,529	174	14,703
Provision for stock write off	(247)	0	(247)
Closing Inventory balance net of provisions made	14,282	174	14,456

31st Dec 2017	Warehouse Stock £000's	Packing and Materials £000's	Total £000's
Opening inventory balance	12,373	63	12,436
Purchases	60,129	276	60,405
Recognised as an expense in year	(59,853)	(303)	(60,156)
Increase / (Decrease) in Stock in Transit accrual	164	-	164
Reversals of write offs in previous years	0	-	0
Closing Inventory balance	12,813	36	12,849
Provision for stock write off	(100)	0	(100)
Closing Inventory balance net of provisions made	12,713	36	12,749

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.

Debtors: Amounts due within one year

	31st Dec 2017 £'000	31st Dec 2018 £'000
Trade Debtors	9,681	8,842
Accumulated Absences	7	4
Less - Provision for Bad Debts	(112)	(128)
	9,576	8,718
Payments in Advance and accrued income	5,078	4,419
Total	14,654	13,137

Debtors are analysed by the following categories

Trade debtors

central government bodies	0	0
other local authorities	5,931	5,491
NHS bodies	19	11
public corporations and trading funds	0	0
bodies external to general government (i.e. all other bodies).	3,730	3,340
	9,681	8,842

	31st Dec 2017 £'000	31st Dec 2018 £'000
central government bodies	0	0
other local authorities	5,931	5,491
NHS bodies	19	11
public corporations and trading funds	0	0
bodies external to general government (i.e. all other bodies).	3,730	3,340
	9,681	8,842

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).	5,078	4,419
	5,078	4,419

central government bodies	-	-
other local authorities	-	-
NHS bodies	-	-
public corporations and trading funds	-	-
bodies external to general government (i.e. all other bodies).	5,078	4,419
	5,078	4,419

Debtors: Amounts due after more than one year

Loans Receivable	0	500
Total	0	500

	31st Dec 2017 £'000	31st Dec 2018 £'000
Loans Receivable	0	500
Total	0	500

11. CREDITORS AND RECEIPTS IN ADVANCE

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

Creditors and Receipts in Advance

	31st Dec 2017 £'000	31st Dec 2018 £'000
Trade Creditors	5,212	5,162
Accruals	2,455	1,644
Finance Leases	0	55
VAT	197	283
Accumulated absences	118	104
Total	7,982	7,247

Creditors are analysed by the following categories

Trade creditors

central government bodies	-	-
other local authorities	38	83
NHS bodies	-	-
public corporations and trading funds	-	-
bodies external to general government (i.e. all other bodies).	5,174	5,079
	5,212	5,162

	31st Dec 2017 £'000	31st Dec 2018 £'000
central government bodies	-	-
other local authorities	38	83
NHS bodies	-	-
public corporations and trading funds	-	-
bodies external to general government (i.e. all other bodies).	5,174	5,079
	5,212	5,162

Accruals / Leases / VAT

central government bodies	197	283
other local authorities	642	632
NHS bodies	-	-
NHS bodies	-	-
public corporations and trading funds	-	-
bodies external to general government (i.e. all other bodies).	1,931	1,171
	2,770	2,085

central government bodies	197	283
other local authorities	642	632
NHS bodies	-	-
NHS bodies	-	-
public corporations and trading funds	-	-
bodies external to general government (i.e. all other bodies).	1,931	1,171
	2,770	2,085

Notes to the Core Financial Statements

Long Term Liabilities

Finance Leases
Liability relating to Defined Benefit Pension Scheme
Total

31st Dec 2017	31st Dec 2018
£'000	£'000
0	151
25,571	26,493
25,571	26,644

12. RISK TO FINANCIAL INSTRUMENTS

The organisation's financial instruments are represented by bank balances, investments made in line with the Organisations Treasury Management Policy, trade creditors, trade debtors and loans receivable. 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.

Investments represent cash deposits made with other local authorities which earn a fixed interest rate agreed at the time of investment and are for a fixed term. Risks arise in the form of banking failures within the UK. As at the 31st December the sum of £5m was invested with various local authorities. All investments are repayable in 2019.

The risks associated with Investments are managed through the adoption of a Treasury Management Policy. YPO adopts the key recommendations of CIPFA's Code of Practice entitled "Treasury Management in the Public Services" within its policy statement. The Organisation's high level policy for investments is to invest its monies prudently, considering security first, liquidity second and yield last, carefully considering its investment counterparties.

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 :-

	2017	2018
	£'000	£'000
Two to six months	2,843	2,458
Six months to one year	216	456
More than one year	111	239
Total	3,170	3,153

A general provision of £128k (2017 £112k) has been included against all debtors. Bad debt calculations are based on the debtor type and agreed upon with the Sales Ledger Manager.

Loans receivable constitute a loan issued in July 2018 to one of our related parties, YPO Procurement Holdings Ltd, for £500K. The purpose of the loan was to allow YPO Procurement Holdings to invest in EdTech Impact Limited for 30% of their Ordinary shares. The risk is that the related party, or the new associate, becomes insolvent and therefore repayment of the loan is unlikely. As at the 31st December 2018 the full capital amount, plus the accrued daily interest of 3% above the Bank of England base rate, is still outstanding.

The risks associated with our loans receivable are managed by the close monitoring of the borrower's financial performance and balance sheet position on a monthly basis. This allows for any potential credit risks to be identified as soon as possible and actions put in place to prevent the risks from materialising.

Notes to the Core Financial Statements

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	Re-stated 31st Dec 2017 £'000	31st Dec 2018 £'000	Net Movement in the Year £'000	Note
<u>Usable reserves</u>				
General Fund Balance	28,261	29,600	1,339	i
Capital Receipts Reserve	85	85	0	ii
Internal Investment Reserve	1,696	610	(1,086)	iii
<u>Unusable reserves</u>				
Joint Committee Capital Adjustment Account	10,327	10,625	298	iv
Earmarked Pension reserve	(25,571)	(26,493)	(922)	v
Earmarked Accumulated Absences Account	(111)	(100)	11	vi
Revaluation reserve	0	156	156	vii
Total reserves	14,687	14,483	(204)	

*2017 has been re-stated to increase Capital Expenditure in the year by £41K, the costs had been expensed against the Profit and Loss Account. The re-statement has reduced the deficit on Operations within the General fund by £41K and also reduced the transfer between the General fund and CAA by £41K. The net result is an increase in the closing balances of the CAA and Total Reserves by £41K as the 31st December 2017.

(i) 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 2018 had a balance of £1m.

	Re-stated 2017 £'000	2018 £'000
General fund balance		
Balance brought Forward 1st of January	28,818	28,261
Surplus or deficit on operations	(3,552)	(2,189)
Total comprehensive income and expenditure	(3,552)	(2,189)
Depreciation and impairment	270	191
Revaluation losses (gains)		
Capital expenditure charged to the GF	(41)	(489)
Transfer of cash sale proceeds		
Use of UCRR to fund capital expenditure		
Reversal of IAS 19 charges to I&E	4,465	4,780
Employer's pension contributions	(1,773)	(2,029)
Movement in employee absence accrual	0	(11)
Total voluntary adjustments	2,920	2,442
Pension Contribution Reserve	-	-
Internal Investment Reserve	74	1,086
Total transfers to/from cash reserves	74	1,086
Total transfers to/from earmarked reserves	2,995	3,528
Balance Carried Forward 31st December	28,261	29,600
Movement in year represented in the Movement in Reserves Statement	(557)	1,339

Notes to the Core Financial Statements

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

	2017 £'000	2018 £'000
Usable Capital Receipts Reserve		
Balance brought Forward 1st of January	85	85
Amounts Received		
General receipts	-	-
Amounts Applied		
New Capital Investment	-	-
Balance Carried Forward 31st December	85	85
Movement in year represented in the Movement in Reserves Statement	-	-

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

	2017 £'000	2018 £'000
Internal Investment Reserve		
Balance brought Forward 1st of January	1,770	1,696
Transferred to Reserves		
Reserves for specific projects created in year	455	392
Amounts Applied		
Reserve balances utilised in year	(529)	(1,478)
Amounts released back to the General Fund		
Reserve balances no longer required and released back to the General Fund		
Balance Carried Forward 31st December	1,696	610
Movement in year represented in the Movement in Reserves Statement	(74)	(1,086)

(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.

	Re-stated 2017 £000	2018 £000
Joint Committee Capital Adjustment Account		
Balance brought Forward 1st of January	10,545	10,327
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	(270)	(191)
Revaluation (losses) gains on property plant and equipment	10	0
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	0	0
	10,285	10,136
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	41	489
	10,327	10,625
Balance Carried Forward 31st December	10,327	10,625
Movement in year represented in the Movement in Reserves Statement	(218)	298

Notes to the Core Financial Statements

(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.

	2017 £000	2018 £000
Earmarked Pension Reserve		
Balance bought forward 1st January	(29,895)	(25,571)
Actuarial Gains or (losses) on pension assets and Liabilities	7,016	1,829
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(4,465)	(4,780)
Employers pensions contributions and direct payments to pensioners payable in year	1,773	2,029
Balance Carried Forward 31st December	(25,571)	(26,493)
Movement in year represented in the Movement in Reserves Statement	4,324	(922)

(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.

	2017 £000	2018 £000
Earmarked Accumulated Absences Account		
Balance bought forward 1st January	(111)	(111)
Settlement or cancellation of accrual made in preceding year	111	111
Amount to be accrued for current year	(111)	(100)
Amount to be charged to the Comprehensive Income and Expenditure Statement	0	11
Balance as at 31st December	(111)	(100)
Movement in year represented in the Movement in Reserves Statement	0	11

(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

	2017 £000	2018 £000
Revaluation Reserve		
Balance bought Forward 1st of January	0	0
Upward revaluation of assets	-	0
Difference between fair value depreciation and historical cost depreciation	0	0
Revaluation written out to the General Fund	0	156
Adjusting amounts written out of the Joint Committee Capital Adjustment Account		
Balance Carried Forward 31st December	0	156
Movement in year represented in the Movement in Reserves Statement	0	156

Notes to the Core Financial Statements

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	
	2017	2018
50,000 - 54,999	8	6
55,000 - 59,999	4	3
60,000 - 64,999	3	3
65,000 - 69,999	-	2
70,000 - 74,999	1	1
75,000 - 79,999	1	-
TOTAL	17	15

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 2017 are also shown and these officers are excluded from the above table.

2018						
Post	Salary incl. BiK	Expenses	Pay in Lieu of Notice	Redundancy Pay	Pension Contributions	Total Remuneration
Managing Director	129,790	-	-	-	18,071	147,861
Deputy Managing Director	100,186	-	-	-	13,776	113,962
Executive Director	96,059	-	-	-	13,056	109,115
Executive Director	91,879	-	-	-	13,056	104,935
	417,914	-	-	-	57,959	475,873

2017						
Post	Salary incl. BiK	Expenses	Pay in Lieu of Notice	Redundancy Pay	Pension Contributions	Total Remuneration
Managing Director	128,733	-	-	-	16,994	145,727
Executive Director	95,203	-	-	-	12,278	107,481
Executive Director	94,047	-	-	-	12,278	106,325
Executive Director	90,613	-	-	-	11,875	102,488
	408,595	-	-	-	53,426	462,021

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

EXIT PACKAGE £	No. of compulsory Redundancies		No. of other Redundancies		Total no. of Exit Packages		Total cost of Exit Packages	
	2017 No.	2018 No.	2017 No.	2018 No.	2017 No.	2018 No.	2017 £,000's	2018 £,000's
0 - 20,000	-	-	8	3	8	3	55	15
20,001 - 40,000	-	-	3	-	3	-	90	-
40,001 - 60,000	-	-	-	1	-	1	-	41
60,001 - 80,000	-	-	-	-	-	-	-	-
80,000 and over	-	-	1	1	1	1	139	111
Total	-	0	12	5	12	5	284	167

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

Notes to the Core Financial Statements

15. LEASES

Finance Leases

The Organisation has entered into a Finance Lease for the supply of IT server and switches equipment.

The assets acquired under these finance leases are carried as Vehicles, Furniture and Equipment in the Balance Sheet at the following amounts

	2017 £000	2018 £000
Vehicles, Furniture and Equipment	0	206

The Finance lease liabilities are included in the current and long term liabilities in the Balance Sheet at the following amounts

	2017 £000	2018 £000
Finance Lease Liabilities (net present value of minimum lease payments)		
Due within one year	0	55
Due after one year and not later than five years	0	151
Finance costs payable in future years	0	7
Minimum lease payments	0	213

The minimum lease payments will be payable over the following periods

	Minimum Lease Payments		Finance Lease Liabilities	
	2017 £000	2018 £000	2017 £000	2018 £000
Not later than one year	0	57	0	55
Later than one year and not later than five years	0	156	0	151
Later than five years	0	0	0	0
	0	213	0	206

Operating Leases

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

	2017 £000	2018 £000
Not later than one year	293	264
Later than one year and not later than five years	411	401
Later than five years	2,204	2,117
	2,908	2,782

Amounts charged, in respect of these leases, to the Comprehensive Income and Expenditure Statement during 2018 were £473k (2017 £500k) 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.

Notes to the Core Financial Statements

2017 £'000	YPO Profit & Loss	2018 £'000
	Trading	
71,111	Stores	73,480
15,171	Food	14,211
24,684	Directs	25,190
110,965	Total Invoiced Sales	112,881
(80,316)	Cost of Sales	(81,239)
30,649	Gross Margin	31,642
128	Discounts	137
5,299	Rebates	4,773
2,216	Other Income	1,990
38,292	Total Income	38,542
	Operating Costs	
(17,976)	Employment costs	(17,590)
(1,117)	Premises	(956)
(6,453)	Supplies and Services	(6,223)
(4,608)	Transport	(4,681)
(127)	SLA costs	(127)
(267)	Financial & Misc	(16)
(270)	Depreciation	(425)
(30,817)	Total Operating Costs	(30,018)
17	Interest (payable)/receivable	47
-	Profit/(loss) on disposal of assets	-
-	Dividend paid	-
-	Pension costs	-
7,492	Surplus or (deficit)	8,571

2017 £'000	Reconciliation of P&L Account to I&E Account	2018 £'000
7,492	Net Profit in P&L Account	8,571
(11,044)	Amounts in the Comprehensive Income and Expenditure Statement not reported to management	(10,760)
-	Amounts included in the P&L not included in the Comprehensive Income and Expenditure Statement	-
(3,552)	Surplus/(Deficit) on provision of service	(2,189)

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 2018	P&L Acct £'000	Amts not rptd for mgt dec making £'000	Alloc'n of reporting expenses £'000	I&E Statement £'000
Total Invoiced Sales	112,881		-	112,881
Cost of Sales	(81,239)		-	(81,239)
Gross Margin				
Discounts	137		-	137
Rebates	4,773		-	4,773
Other Income	1,990		-	1,990
Total Income	38,542	0	-	38,542
Operating Costs				
Employment costs	(17,590)		-	(17,590)
Premises	(956)		-	(956)
Supplies and Services	(6,223)		-	(6,223)
Transport	(4,681)		-	(4,681)
SLA costs	(127)		-	(127)
Financial & Misc	(16)		-	(16)
Depreciation	(425)		-	(425)
Total Operating Costs	(30,018)	0	-	(30,018)
Interest (payable)/receivable	47		-	47
Profit/(loss) on disposals			-	0
Revaluation gains / (losses)		233	-	233
Dividend paid		(7,253)	-	(7,253)
Earmarked reserves funding		(989)	-	(989)
Pension costs		(2,751)	-	(2,751)
Surplus or (deficit) on provision of service	8,571	(10,760)	-	(2,189)

Notes to the Core Financial Statements

YPO Profit & Loss 2017	P&L Acct £'000	Amts not rptd for mgt dec making £'000	Alloc'n of reporting expenses £'000	I&E Statement £'000
Total Invoiced Sales	110,965		-	110,965
Cost of Sales	(80,316)		-	(80,316)
Gross Margin				0
Discounts	128		-	128
Rebates	5,299		-	5,299
Other Income	2,216		-	2,216
Total Income	38,292	0	-	38,292
Operating Costs				
Employment costs	(17,976)		-	(17,976)
Premises	(1,117)		-	(1,117)
Supplies and Services	(6,453)		-	(6,453)
Transport	(4,608)		-	(4,608)
SLA costs	(127)		-	(127)
Financial & Misc	(267)		-	(267)
Depreciation	(270)		-	(270)
Total Operating Costs	(30,817)	0	-	(30,817)
Interest (payable)/receivable	17		-	17
Profit/(loss) on disposals			-	0
Revaluation gains / (losses)			-	0
Dividend paid		(7,864)	-	(7,864)
Earmarked reserves funding		(488)	-	(488)
Pension costs		(2,692)	-	(2,692)
Surplus or (deficit) on provision of service	7,492	(11,044)	-	(3,552)

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 65 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:

	2017 Re-Stated £'000	2018 £'000
Barnsley MBC	16,003	15,813
Bolton MBC	10,633	10,637
Bradford MDC	23,831	23,690
City of York	6,896	6,819
Doncaster MBC	13,541	13,502
Kirklees MC	27,420	27,481
Knowsley MBC	9,238	9,259
MB of Calderdale	10,853	10,792
North Yorkshire CC	19,189	18,666
Rotherham MBC	11,787	11,753
St Helens MBC	10,874	10,892
Wakefield MdC	20,071	20,212
Wigan MBC	13,227	13,212
	193,562	192,728

2017's related party transactions have been re-stated due to the framework activity spend for each member in 2017 only being confirmed after the final accounts had been prepared. 2018's value of transactions include the final framework spend activity for 2017 as at the time of preparing these accounts the 2018 spend was still being finalised.

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.

Notes to the Core Financial Statements

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 2018 £
YPO Procurement Holdings	0	0
YPO Supplies Ltd	2,191,478	439,595

In July 2018 YPO issued a loan to YPO Procurement Holdings for the sum of £500K. Interest will accrue on the loan at a daily rate of 3% above the Bank of England Base Rate and all capital and interest amounts are repayable by 2030. As at the 31st December the loan amounts still outstanding are.

	2018 £
Capital	500,000
Interest	8,096
	508,096

On the 31st December 2018 a review has been carried out on the recoverability of the loan issued. Taking into consideration the financial performance and financial position of YPO Procurement Holdings and its subsidiaries, and the expected growth over the next 5 years, it is expected that the full amount owing will be fully recovered by the end of the loan term.

18. AUDIT COSTS

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

Audit Costs	2017 £000	2018 £000
Fees payable to KPMG with regard to external audit services carried out by the appointed auditor	23	23

19. EVENTS AFTER THE BALANCE SHEET DATE

The 22nd March 2019 Management Committee Meeting approved the pre audit statement of Accounts and agreed a profit distribution in respect of the 2018 trading year of £7.85m 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 29th May 2019 when the accounts were authorised for issue by the Audit and Scrutiny 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.

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

Finance Lease

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

Financial Instrument

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

Financial Procedure Rules

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

Impairment

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

International Accounting Standards (IAS)

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

International Financial Reporting Standards (IFRS)

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

Inventories

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

Liability

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

Net Book Value

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

Net Expenditure

Gross expenditure less specific income.

Outturn

Actual income receivable and expenditure due in a financial year.

Payments in Advance

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

Prior year adjustments

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

Remuneration

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

Reserve

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

Turnover

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

Useful life

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

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YPO
MANAGEMENT COMMITTEE
TO BE HELD ON
21ST JUNE 2019

TITLE: APPOINTMENT OF EXTERNAL AUDITOR

REPORT OF: DEPUTY MANAGING DIRECTOR

1. PURPOSE OF REPORT

1.1 The purpose of this report is to recommend to the Management Committee a decision as a result of a recent tender exercise that was undertaken to appoint an external audit service for the Joint Committee.

2. BACKGROUND INFORMATION

2.1 The previous contractual arrangement in respect of the Joint Committee comes to an end once the Statement of Accounts are approved for the 2018 financial year.

2.2 A recent tender exercise took place with the objective of securing external audit services for the Joint Committee for financial years 2019 to 2023. Two bids were received.

2.3 The result of the tender exercise, following a review of both cost and quality, proposes that Mazars should be appointed as the contracted auditor for 2019 to 2023. The financial implications are shown below.

3. STRATEGIC IMPLICATIONS

3.1 There is no longer a statutory requirement for YPO, as a joint committee to have an external audit, but the Management Committee approved the recommendation of the Section 151 officer that the process of an external audit would continue.

4. FINANCIAL IMPLICATIONS

4.1 The tender prices of the proposed contractor are shown below;-

Year	Cost £
2019	23,000
2020	23,000
2021	23,000
2022	23,460
2023	23,929
Total	116,389

4.2 This represents an estimated saving of around £9K over the 5 years based on current annual fees and expected price increases over that period.

5. LEGAL IMPLICATIONS

5.1 There are no legal implications arising from this report.

6. EQUALITY IMPLICATIONS

6.1 There is no impact on the equality agenda.

7. RISK IMPLICATIONS

7.1 There are no additional risks arising from this report.

8. RECOMMENDATION

8.1 It is recommended that the members approve the proposed appointment of Mazars as our external auditors for the next 5 years.

SERVICE DIRECTOR: PAUL SMITH, DEPUTY MANAGING DIRECTOR

YPO
41 Industrial Park
Wakefield
WF2 0XE

Telephone No: 01924 834969.

E-mail address: paul.smith@ypo.co.uk

CONTACT OFFICER: STEVEN HALL, HEAD OF FINANCE

YPO
41 Industrial Park
Wakefield
WF2 0XE

Telephone No: 01924 821775

E-mail address: steven.hall@ypo.co.uk



YPO
MANAGEMENT COMMITTEE
TO BE HELD ON
21ST JUNE 2019

TITLE: DRAFT ANNUAL INTERNAL AUDIT PLAN 2019

REPORT OF: SERVICE MANAGER FOR INTERNAL AUDIT & RISK (WAKEFIELD COUNCIL)

1. PURPOSE OF REPORT

- 1.1. The Public Sector Internal Audit Standards (PSIAS) require the Chief Audit Executive (Service Manager for Internal Audit and Risk, for Wakefield Council) to establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals. This must take into account the requirement to produce an annual internal audit opinion and the assurance framework. As part of this report input is required from key stakeholders.
- 1.2. The purpose of this report is to present the proposed Internal Audit Plan for 2019 for approval by the Management Committee.

2. BACKGROUND INFORMATION

- 2.1 In setting the Internal Audit Plan, and conforming to the PSIAS requirements, the Service Manager for Internal Audit and Risk considers the following:
- The objectives and priorities of the organisation, as set out in the YPO 3 Year Strategy;
 - The YPO Risk Register;
 - Previous internal audit work and findings;
 - Input from this Committee, the Section 151 Officer (Chief Finance Officer, Wakefield Council) and senior management; and,
 - Any other independent assurances that can be relied upon, for example external audit and commissioned pieces of work.
- 2.2 As part of the audit planning process for 2018 a move was made to a 3 Year Audit Plan, with 125 audit days allocated for each calendar year. This process has been continued for 2019 and a 3 Year Audit Plan for the period 2019-21 has been drafted. The rest of this report details the process that has been followed to determine the priorities for the draft 3 Year Audit Plan.

Objectives and priorities of YPO

- 2.3 The 3 Year YPO Strategy was approved at the March 2018 Management Committee and at the March 2018 February 2018 Audit and Scrutiny Sub-Committee a three-year Internal Audit Plan was approved for the reporting period 2018-2020.
- 2.4 The overall vision for YPO is about achieving value for money when procuring its goods and services. It also has a mission to 'be the UK's number one public sector buying organisation'. This is then supported by the following:
- Relevance, meaning a greater degree of local stakeholder management so that YPO is a commercial partner of choice for local authorities;
 - Market Focus, developing a broad range of commercial activities and having the right level of skills and focus on key markets;
 - New commercial activities that reflect the changing market and benefit the small and medium enterprise business market;
 - Financial resilience through the expansion of the local government framework business; and,
 - Customer focus by maintaining a reputation of excellence and making sure the customer continues to be at the heart of everything that YPO does.

Strategic Risks

- 2.5 Internal Audit has access to the risk registers used by YPO, for which all risks are now scored on a 4 x 4 matrix (probability and impact). Table 1 below provides a summary of the highest rated corporate (i.e. a score of 8 or more).

Table 1 – Summary of high priority risks

Risk Description (Risk Reference)	Probability	Impact	Risk Score
Inefficient business processes resulting in reduced productivity, loss of business and reputational damage (SRR-08)	3	3	9
Business Continuity in the event of a major incident (SRR-09)	2	4	8
Uncertainties regarding the implications of Brexit, for example risks around labour shortage, impact on the supply chain and costs (SRR-19)	3	3	9

- 2.6 As part of the 2019 Audit Plan we will set a small number of days aside to monitor the implementation of the two GDPR high priority audit recommendations.

Input from key stakeholders

- 2.7 This plan has factored in issues that were previously agreed with this Committee and senior management when the Three Year Internal Audit Plan 2018-20 was approved. In conformance with PSIAS requirements this has been reviewed, as set out in this report to ensure that it is still focussed on the significant risks facing YPO.
- 2.8 Discussions have also been held with the Section 151 Officer, the Deputy Managing Director and Assistant Financial Controller to help identify potential new and emerging areas for consideration.

Conclusion for the proposed audit plan

- 2.9 Based upon the methodology set out in this report the proposed audit plan is summarised in Appendix A. This plan will continue to be delivered within the previously agreed 125 days of Internal Audit work per year (annual cost of £45,000). In line with agreed protocols, progress reports will be submitted to this Committee to provide updates against the agreed plan.

Internal Audit Opinion Levels

- 2.10 Table 3 sets out the opinion levels that we currently use when providing assurances to this Committee. The ratings are based upon a combined assessment of the robustness of the control environment (mitigating the risks under review) and compliance with agreed management controls.
- 2.11 As part of the process of continual improvement, and in order to maximise added value, it is the opinion of the Service Manager for Internal Audit and Risk that the opinion levels should be amended to those in Tables 4 and 5.
- 2.12 The rationale for the changes are that the new opinion levels will clearly detail whether any issues are linked to weaknesses in the actual control environment or related to non-compliance with expected management controls. In addition, a new opinion level of satisfactory has been added as there is a significant difference between 'mostly effective' and 'partially effective' under the existing opinion levels.

Table 3 – Current Internal Audit Opinion Levels

Opinion	Definition
Fully Effective	The key controls in place and working are fully effective as a means of managing the potential impact of the risks reviewed, and maximises the likelihood of achieving associated key business objectives.
Mostly Effective	Most key controls were found to be in place and working as a means of managing the potential impact of the risks reviewed. However, some improvement is required in order to maximise the likelihood of achieving associated key business objectives.
Partially Effective	Some key controls were found to be in place and working as a means of managing the potential impact of the risks reviewed. However, significant improvement is required in order to maximise the likelihood of achieving associated key business objectives.
Ineffective	Evidence was found of a significant lack of operation of key controls, as a means of managing the potential impact of the risks reviewed to the extent that there is limited or no assurance that associated key business objectives will be achieved.

Table 4 – Proposed Internal Audit Opinion Level for the Control Environment

Opinion	Definition
Substantial	There are minimal control weaknesses and they present a very low risk to the control environment. This maximises the likelihood of achieving the key business objectives and priorities.
Good	There are minor control weaknesses that present a low risk to the control environment. Some opportunities have been identified that would further support the achievement of key business objectives and priorities.
Acceptable	There are some control weaknesses that present a medium risk to the control environment. Improvement is required to ensure that key business objectives and priorities are achieved.
Limited	There are significant control weaknesses that present a high risk to the control environment. There is a significant risk that the area being reviewed is not effectively or efficiently supporting the achievement of key business objectives and priorities.
None	There are fundamental control weaknesses that present unacceptable levels of risk to the Organisation.

Table 5 – Proposed Internal Audit Opinion Level for Compliance with Existing Controls

Opinion	Definition
Substantial	The control environment has substantially operated as intended.
Good	The control environment has largely operated as intended although some minor errors have been identified.
Acceptable	The control environment has mainly operated as intended although errors have been identified.
Limited	The control environment has not operated as intended with significant errors identified.
None	The control environment has fundamentally broken down and is open to significant error or abuse.

3. STRATEGIC IMPLICATIONS

- 3.1 Section 2 of this report details how the audit plan has been developed, in particular linking with the 3 Year Strategic Plan and the risk registers maintained by YPO.

4. FINANCIAL IMPLICATIONS

- 4.1 The annual cost for the provision of Internal Audit for YPO is £45,000 per year.
- 4.2 The audit plan also takes into account the need to provide the Section 151 Officer (Chief Finance Officer for Wakefield Council) with independent assurance of the effectiveness and efficiency of controls for the main financial systems.

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.
- 5.2 The Audit and Scrutiny Sub-Committee has delegated authority to provide the Management Committee with a 'reasonable assurance of the efficiency and effective operation of the overall internal control environment within YPO'. One of the sources of this assurance is through the work of Internal Audit.

6. EQUALITY IMPLICATIONS

- 6.1 Equality issues are taken into account when considering the Organisation's key strategic risks.

7. RISK IMPLICATIONS

- 7.1 In line with the Public Sector Internal Audit Standards there is a requirement to set a risk-based audit plan. As detailed in Section 2 of this report one of the sources of information is YPO's risk register (for strategic and operational risks). In addition, input has been sought from senior management to help identify new and emerging areas of risk.

8. RECOMMENDATION

- 8.1 The Management Committee is asked to:
- Review and approve the proposed Internal Audit Plan for 2019 to 2021 (see Appendix A); and,
 - Consider the request for changing the opinion levels that are currently used by Internal Audit.

Contact Officer:

Jason Brook, Service Manager for Internal Audit & Risk (Wakefield Council)
Telephone No: 01924 306054
E-mail address: jasonbrook@wakefield.gov.uk

Draft Internal Audit Plan for Period 2019 to 2021

Table 1: Proposed Audits for 2019 Calendar Year

Audit Area	Type of Audit	Brief Summary	Audit Days	Links to YPO Priorities	Links to YPO Risks
Section 151 Assurance Work					
Asset Management	Key Financial System	To gain assurance that significant assets are properly accounted for and secured.	15	Financial Resilience	SRR-07 SRR-08
Creditors	Key Financial System	To gain assurance on the effectiveness of controls for raising orders and making payments to the suppliers for goods and services.	15	Financial Resilience	SRR-07 SRR-08 SRR-15
Consultancy Work					
Counter-Fraud and Corruption Arrangements	N/A	To act in a 'critical friend' role for the YPO in the review of counter-fraud policies and procedures. The work will also assist Internal Audit in its development of assurance mapping for the YPO and will link with YPO's ongoing review of counter fraud and bribery.	10 ¹	All	SRR-17
Risk Management	N/A	To act in a 'critical friend' role for the YPO in offering advice on risk management arrangements.	10 ¹	All	ALL
LINK Programme	N/A	To provide on-going support to the YPO in the implementation of the new ICT System.	10	All	SRR-05
Governance and Risk-Based Work					
Adherence to legislation	Risk Based	To provide assurance over Health and Safety risk areas ensuring compliance with key policies and legal frameworks.	15	Customer Focus	SRR-12
Business Planning	Risk Based	To provide assurance over the sufficiency of business planning documentation for decision making.	15	All	SRR-06 SRR-08 SRR-16
Rebate Income	Risk Based	To gain assurance on the adequacy of controls relating to rebate income.	15	Financial Resilience	SRR-07 SRR-08
Follow-Up Reviews					
Implementation of High Priority Audit Recommendations from the GDPR Audit.	Follow Up	To seek assurance on the implementation of high-priority audit recommendations agreed in the follow up audit undertaken in 2018.	15	Customer Focus	SRR-02

¹ These days will not be included as part of the chargeable days for 2019

Audit Area	Type of Audit	Brief Summary	Audit Days	Links to YPO Priorities	Links to YPO Risks
Contingency Time					
Contingency Time	-	Time set aside for new and emerging risks and complete individual follow-up audits within the 2019 calendar year.	15	-	-
Liaison, Consultancy and Advice					
Liaison, Consultancy and Advice	-	Development of the 2019 Calendar Year Audit Plan and update of the rolling 3-Year Audit Plan. Drafting of the Annual Internal Audit Opinion Report. Drafting of regular update reports to Elected Members and senior management. Travel to, and attendance at, relevant YPO Committee's (e.g. YPO Management Committee and YPO Audit Sub-Committee). Liaison as and when required.	10	-	-
Total (excluding 20 days non chargeable time)			125		

Table 2 Indicative Three Year Audit Plan for 2019 to 2021

Audit Area	2019	2020	2021	Comments
Section 151 Assurance Work				
Asset Management	✓			Last reviewed in 2016.
Budgetary Control			✓	Last reviewed in 2018.
Creditors (including ordering).	✓			Last reviewed in 2016.
Debtors		✓		Last reviewed in 2017.
Main Accounting System.			✓	Last reviewed in 2018.
Payroll		✓		Last reviewed in 2017.
Consultancy Work				
Counter-fraud and Corruption Arrangements	✓			10 days consultancy service, at no cost to YPO, will be provided to YPO in 2019. This will be used to help develop Internal Audit assurance maps for YPO and will link with YPO's ongoing review of counter fraud and bribery.
Risk Management.	✓			As above, 10 days consultancy service will be provided at no extra cost. This will help develop Internal Audit assurance maps and future coverage.
LINK – implementation of new ICT system.	✓			We have allocated 10 chargeable days in the audit plan for ongoing liaison in this area.
Governance and Risk Based Audit Work				
Adherence to Legislation – Health and Safety	✓	✓	✓	Time will be made available in each year for a review of health and safety.
Business Planning	✓			The audit will cover a review of the sufficiency of business planning

Audit Area	2019	2020	2021	Comments
				documentation for decision making.
Customer Engagement		✓		The audit will provide assurance over a core strategy objective.
Data Quality		✓		Audit to take place in 2020 covering data quality in relation to the LINK programme, ensuring the accurate of data to provide good quality management information.
ICT Arrangements		✓		This will typically cover areas such as: <ul style="list-style-type: none"> • Access Controls; • Change Controls; • Cyber Security; • File Controls; • Network Controls.
Governance arrangements			✓	Audit of governance arrangements focussing on decision making processes.
Limited Company Governance Arrangements		✓		
Rebate Income	✓			To gain assurance on the adequacy of controls relating to rebate income.
Stock Control			✓	This area was reviewed in 2018, however, we have not reviewed all depots.
Transport Logistics		✓		Largest expenditure cost centre therefore audit review is required.
Warehouse Management System			✓	Review required following implementation of new Warehouse Management System in 2020.
Follow-up Reviews				
Follow-up work	✓	✓	✓	As required – a review will be completed of any audits with an opinion of ‘partially effective’ or ‘ineffective’.
Liaison, Consultancy and Advice				
As appropriate	✓	✓	✓	Attendance at Committees, reporting, liaison and advice.



YPO
MANAGEMENT COMMITTEE
TO BE HELD ON
21ST JUNE 2019

TITLE: GOVERNANCE REVIEW

REPORT OF: MANAGING DIRECTOR

1. BACKGROUND INFORMATION

- 1.1 YPO has in place various governance policies and supporting documents that set out our approach to managing the organisation. These are reviewed regularly and any significant changes brought to committee for approval.
- 1.2 Since the last summary was considered by Audit & Scrutiny Sub-Committee in May 2018 the following have been reviewed and recommended actions detailed below.

Item	Latest Status	Action
YPO Procurement Holdings Strategic Fraud & Bribery Risk Register	Fully revised and updated June 2018	Adopted new clearer format Reviewed risks, controls, ratings
AIG (Insurer) Property Risk Survey	Reported July 2018	Note progress of actions to improve risk management
Whistleblowing Policy		
Insurance Claims Update Report	Reported Oct 2018	Note progress on claims
Employee Interests Policy	Fully revised and updated Oct 2018	Create new electronic forms for all staff to renew declarations
Gifts & Hospitality Policy	Fully revised and updated Oct 2018	Create new electronic forms for all staff to renew declarations
Raising Fraud Awareness Bulletin	Reported Nov 2018	Published on the YPO Intranet
Governance Update	Reported Dec 2018	Agreed changes to format and content of AGS and Local Code
Gifts & Hospitality Register Review	Reported Jan 2019	Noted gifts & hospitality over £25
Outstanding Audit Actions	Reported Jan 2019	Noted no overdue actions
Strategic Risk Register Q1 2019	Fully revised and updated Jan 2019	Adopt the new clearer format Review / score risks and controls
Annual Governance Statement 2018	Reported Jan 2019	Approve and publish (Feb 2019)
Local Code of Governance 2019	Published Feb 2019	Approve and publish (Feb 2019)
Financial Procedure Rules	Published Feb 2019	Deliver training to relevant staff
Standing Orders for Contracts	Published Feb 2019	Deliver training to relevant staff
Raising Fraud Awareness Bulletin	Reported March 2019	Published on the YPO Intranet

2. STRATEGIC IMPLICATIONS

2.1 There are no specific strategic implications arising from this report.

3. FINANCIAL/RESOURCE IMPLICATIONS

3.1 There are no specific financial or resource implications arising from with this report.

4. LEGAL IMPLICATIONS

4.1 These governance documents aid compliance with various pieces of legislation such as the Bribery Act 2010 and good practice such as the CIPFA / SOLACE Governance Framework 2016.

5. RISK IMPLICATIONS

5.1 This report supports governance and is part of YPO's overall framework for managing risk.

6. CONSULTATION

6.1 The reports, policies etc listed in the table at paragraph 1.2 above were subject to appropriate consultation before they were finalised and approved.

7. OPTIONS APPRAISAL

7.1 Not required

8. RECOMMENDATIONS

8.1 That the Management Committee note the contents of the table at paragraph 1.2 above.

9. REASONS FOR RECOMMENDATIONS

9.1 It is essential to maintain the effectiveness of YPO's governance arrangements.

SERVICE DIRECTOR: SIMON HILL, MANAGING DIRECTOR

YPO
41 Industrial Park
Wakefield
WF2 0XE
Telephone No: 01924 834912
E-mail address: simon.hill@ypo.co.uk

CONTACT OFFICER: ANDREA HIRST-GEE, ASSISTANT FINANCIAL CONTROLLER

YPO
41 Industrial Park
Wakefield
WF2 0XE
Telephone No: 01924 821740
E-mail address: andrea.hirst-gee@ypo.co.uk



YPO
MANAGEMENT COMMITTEE
TO BE HELD ON
21ST JUNE 2019

TITLE: TERMS OF REFERENCE & WORK PROGRAMME

REPORT OF: MANAGING DIRECTOR

1. BACKGROUND INFORMATION

- 1.1. YPO's governance arrangements are defined in the Management Agreement, signed by all Members and include a Management Committee that is made up of two representatives from each of the 13 founder member authorities. The role of this Committee is to develop and monitor the strategic direction and performance of the organisation. The Management Committee is supported by a number of Sub-Committees, each with a different focus.
- 1.2. The Executive Sub-Committee has delegated decision making powers and focuses on performance; the Audit & Scrutiny Sub-Committee focuses on the probity of processes, the detail of our strategy and also have the authority to scrutinise the outcomes of decisions made; and the Joint Consultative Committee (JCC) is concerned with employee relations. The JCC has a different constitution to the Sub-Committee as it includes representation from trade unions as well as councillors; whereas the membership of the Sub-Committees is drawn only from those councillors who sit on the Management Committee.
- 1.3. The Management Committee, Executive Sub-Committee, Audit & Scrutiny Sub Committee and JCC each meet three times per annum.
- 1.4. Each member authority provides its representatives with access to a Senior Officer from that council to provide advice and guidance to the councillor. Collectively these individual officers are known as the Strategic Officers Advisory Group and they meet three times a year in line with the committee cycle.
- 1.5. The Board of Directors (including an Independent Director) provide assurances to the Management Committee and to the associated Sub-Committees that YPO has an effective and challenging strategy and that the organisation is well placed to meet those challenges.

2. WORK UNDERTAKEN BY THE MANAGEMENT COMMITTEE

2.1. During the 2018/19 committee year the Management Committee met on three planned occasions (including the 2019 AGM) and received reports on a number of topics and endorsed and approved the works of the Sub-Committees. Each Sub-Committee forwards the minutes of its meetings to the Management Committee for formal approval.

3. WORK UNDERTAKEN BY THE EXECUTIVE SUB-COMMITTEE

3.1 The Executive Sub-Committee has a membership of nine members drawn from the Management Committee (including the Chair and Vice Chair of the Management Committee) and met three times during the year. Its primary purpose is to review the performance of the organisation, ensure delivery of the agreed strategy and review the performance of the Managing Director.

3.2 Following each meeting, minutes are presented to the Management Committee and matters arising are discussed.

4. WORK UNDERTAKEN BY THE AUDIT & SCRUTINY SUB-COMMITTEE

4.1. The Audit & Scrutiny Sub-Committee has a membership of sixteen members drawn from the Management Committee and meet three times during the year. Its primary purpose is to undertake the duties of 'those charged with governance' under delegation from the Management Committee and to scrutinise strategies and actions of the YPO Management Team and provide feedback, comment and recommendations.

4.2. The Audit & Scrutiny Sub-Committee has delegated powers to sign off the annual financial statements and annual governance report on behalf of the Management Committee and ensure it has sufficient information and knowledge to undertake those duties.

4.3. Following each meeting, minutes are presented to the Management Committee and matters arising are discussed.

5. WORK UNDERTAKEN BY JCC

5.1. The JCC meets three times per annum and its membership is drawn from the YPO Management Committee, the YPO branch of unison, and the unison regional co-ordinator.

5.2. In meeting the primary focus of its terms of reference the JCC has discussed a range of topics raised by members and employees during the meetings and any matters arising have been raised at management committee as appropriate.

6. WORK PROGRAMME

6.1. The Principal Agenda Items for each Sub-Committee are attached in Appendix 1.

6.2. We have indicated those items expected to be discussed in public session and those to be received in private session.

7. TERMS OF REFERENCE

7.1. The Terms of Reference have been reviewed again during this year and have been

reviewed at each committee. They are attached as Appendix 2 for approval.

8. TRAINING

- 8.1. Attached at Appendix 3 is a proposed Training Schedule for each Sub-Committee. The training will be delivered in half hour slots immediately prior to each meeting. Following the Strategy Day held on 5th June 2019 it proposed that a Strategic Review Day will take place annually from September 2020 with both Elected Members and Strategic Officers.

9. MEETING SCHEDULE

- 9.1. Appendix 4 provides a proposed schedule for meetings from July 2019 – July 2020.
- 9.2. Following two inquorate sub-committee meetings it has prompted a discussion around the dates of meetings during the period of time where Councils hold their AGM's and the representation on YPO is agreed.

The AGM is held in annually in June as per the below Management Agreement guidance:

“Section 6.2 – The Management Committee shall meet at least 3 times per year in March, June (AGM) and November, and such other times as agreed for 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.”

However, it is proposed that the Management Committee agree a calendar of meetings for all YPO committees at the AGM each year. This change will enable flexibility of meeting dates moving forward.

This is acting outside the terms of the Management Agreement; however, YPO would look to amend the Management Agreement to reflect this if the change had a positive impact on quoracy.

10. RECOMMENDATIONS

- 10.1. To agree the Terms of Reference.
- 10.2. To agree the Principal Agenda Items for 2019/20.
- 10.3. To agree the Training Schedule for 2019/20.
- 10.4. To take a recorded vote on the proposed change to the Meeting Schedule for 2019/20.

11 STRATEGIC IMPLICATIONS

- 11.1 There are no specific Strategic Implications associated with this report.

12 LEGAL IMPLICATIONS

- 12.1 The monitoring officer has been consulted in relation to acting outside the terms of the Management Agreement.

13 FINANCIAL IMPLICATIONS

- 13.1 There are no specific Financial Implications associated with this report.

REPORT AUTHOR: SIMON HILL, MANAGING DIRECTOR

YPO
41 Industrial Park
Wakefield
WF2 0XE

Telephone No: 01924 834912
E-mail address: simon.hill@ypo.co.uk

APPENDICES:

Appendix 1 – Principal Agenda Items
Appendix 2 – Terms of Reference
Appendix 3 – Meeting Schedule 2019/20
Appendix 4 – Training Schedule 2019/20

PRINCIPAL AGENDA ITEMS 2019 - 2020

MANAGEMENT COMMITTEE

November 2019	Author	Agenda
Budget and Business Plans for 2019	PS/S Hall	Private
Business Update	SH	Private
YPO Pay Policy	JW	Public
Lead Authority Issues	GM	Public
Appointment of Auditors	PS	Public
Report of Independent Director	Independent Director	Private

March 2020	Author	Agenda
Pre-Audit Statement of Accounts <i>(For information only)</i>	PS/S Hall	Public
Dividend Distribution <i>(Total amount of dividend)</i>	PS/ S Hall	Private
Internal Audit Annual Report	Jason	Public
Lead Authority Issues	GM	Public
Business Update	SH	Private
Report of Independent Director	Independent Director	Private
Internal Audit Plan	JB	Public
Treasury Outturn Report	S Hall/ Wakefield	Private
Financial Procedure Rules & Standing Orders Relating to Contracts	PS	Private

June 2020	Author	Agenda
Annual Report	SH	Public
Audited Accounts <i>(For information only)</i>	PS/S Hall	Public
Governance Review	PS/AHG	Public
TOR and Work Programme	SH	Public
Business Update	SH	Private
Report of Independent Director	Independent Director	Private
Lead Authority Issues	GM	Public
Membership of the YPO Management Committee	KS	Public
Appointments to Sub-Committees & Joint Consultative Committee	KS	Public
Dividend Distribution <i>(Individual Dividend Amounts)</i>	PS	Private
Independent Director Recruitment Contract		Private
Gender Pay Gap (for info only)	JW	Public

PRINCIPAL AGENDA ITEMS 2019 - 2020

EXECUTIVE SUB COMMITTEE

November 2019	Author	Agenda
Financial Performance Report (Forecast for next year)	PS/S Hall	Private
Lead Authority Issues	GM	Public
Business Update	SH	Private
Attendance Report	JW	Private
Stock Losses Report	PS	Private
YPO Pay Policy	JW	
Independent Director Update – Verbal	RM	Private

March 2020	Author	Agenda
Financial Performance Report (Earmarked Reserves Spend to be included in this) (Review of previous year performance)	PS/S Hall	Private
Lead Authority Issues	GM	Public
Business Update	SH	Private
Standing Orders & Financial Procedure Rules	PS/S Hall	Public
Independent Director Update – Verbal	RM	Private
Attendance Report	JF	Private

June 2020	Author	Agenda
Financial Performance Report (Mid-year performance update)	PS/S Hall	Private
Business Update	SH	Private
Lead Authority Issues	GM	Public
Exec Sub Work Programme & TOR	SH	Public
Independent Director Update – Verbal	RM	Private

PRINCIPAL AGENDA ITEMS 2019 - 2020

AUDIT & SCRUTINY SUB COMMITTEE

November 2019	Author	Agenda
Internal Audit Plan Template 2019	JB	Public
Risk Register	PS/AHG	Private
Year End Closedown Timetable	PS/S Hall	Public
Appointment of Auditors	PS/ SHa	Public
IT Programme Update	GR	Private
Strategy Update	??	Private

February 2020	Author	Agenda
Internal Audit Action Update	PS/AHG	Private
Annual Governance Statement	PS/S Hall	Public
Pre-Audit Statement of Accounts (report will be submitted late but will be in for the official papers deadline)	PS/S Hall	Public
Internal Audit Annual Report 2019	JB	Public
Internal Audit Plan 2019	JB	Public
IT Programme Update	GR	Private
Strategy Update	??	Private
Stock Adjustments	PS	Private
Gifts & Hospitality	JW	Public
External Audit Plan	External Auditors	Public

May 2020	Author	Agenda
External Audit Report	External Auditors	Public
Audited Statement of Accounts	PS/S Hall	Public
Audit & Scrutiny Sub Work Programme & TOR	SH	Public
Governance Review	PS/ AHG	Public
Draft Internal Audit Plan 2020	JB	Public
IT Programme Update	GR	Private
Strategy Update	??	Private

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Yorkshire Purchasing Organisation

Management Committee Terms of Reference 2019/20

Number of Members

Twenty Six Councillors – Two from each Member Authority

Quorum

Member representation from at least five Member Authorities.

Substitutes

Two named substitutes from each Member Authority.

Frequency of Meetings

Three times per annum.

Suggested duration: Max 2 hours (10:30am – 12:30pm)

Remit

1. To approve and keep under review a long term plan setting out the strategic direction of YPO.
2. To consider, approve and keep under review Standing Orders, Financial Procedure Rules and the Officer Delegation Scheme prior to subsequent approval by Member Authorities, and to carry out such actions as are required by these rules.
3. To provide leadership for Risk Management across YPO and ensure Risk Management is used as a strategic and operational tool.
4. To keep under review the method of distributing annual dividends, and decide annually on the amount and timing of dividend distribution.
5. To periodically review the membership of YPO.
6. To appoint annually at the Annual General Meeting an Audit & Scrutiny Sub-Committee and an Executive Sub-Committee, and a Joint Consultative Committee and receive minutes or reports from them highlighting any areas that require action by the Management Committee.
7. To seek assurances from the sub-committees that YPO is acting with all due care and attention.
8. 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.

Yorkshire Purchasing Organisation

Executive Sub-Committee Terms of Reference 2019/20

Number of Members

Nine Councillors, including Chair and Vice Chair of the Management Committee.
Not more than one Councillor from any member authority.

Quorum

Member representation from at least three Member Authorities.

Substitutes

Agreed named substitutes are Allowed.

Frequency of Meetings

Three times per annum.

Remit

1. To ensure that the performance of YPO is in accord with established business plans.
2. To receive trading reports from senior managers and that trading operations are in line with approved business plans.
3. To review the performance of the organisation in achieving its objectives through an examination of performance data and relevant performance indicators.
4. To receive reports on spending against approved budgets.
5. To review annually its terms of reference and report any additions and amendments to the Management Committee.
6. To provide an update to Management Committee on the activities of the Committee by way of meeting minutes and responses to any matters arising.
7. To consider applications for Associate Membership of YPO, and recommend them for approval by the Management Committee.

To act with delegated authority of the Management committee in respect of:

1. To approve individual capital investment proposals, in line with the overall investment plan agreed by the Management Committee.
2. To agree conditions within which goods, materials and services can be supplied to Member Authorities, Associate Members and other Local and Public Authorities covered by the Local Authorities (Goods and Services) 1970 act and any subsequent modifications.

Yorkshire Purchasing Organisation

Audit & Scrutiny Sub-Committee Terms of Reference 2019/20

Number of Members

Sixteen Councillors, but not the Chair or Vice Chair of the Management Committee

Frequency of Meetings

Three times per annum, to be scheduled approximately one month prior to Management Committee meetings.

Quorum

Member representation from at least four Member Authorities.

Substitutes

Agreed named substitutes are allowed.

Remit

1. To ensure that the highest standards of probity and public accountability are demonstrated and in doing so ensure effective governance of YPO.
2. To provide the Management Committee with a reasonable assurance of the efficient and effective operation of the overall internal control environment within YPO, through a systematic appraisal of its framework of internal controls, processes and data quality.
3. To consider internal audit plans and performance to ensure the work of internal audit is planned and carried out with due regard to major risks, areas of significant financial effect and the need to cover the range of the service, and to challenge and review actions taken by senior managers on significant audit recommendations.
4. To consider the external audit work programme and monitor the implementation of significant external audit recommendations.
5. To ensure that an appropriate risk management strategy has been drawn up and to monitor that risk management procedures are being carried out effectively, including the establishment of a reserves policy.
6. To review annually its terms of reference and report any additions and amendments to the Management Committee.
7. To provide an update to management committee on the activities of the committee activity by way of meeting minutes and responses to any matters arising.
8. To ensure the effectiveness of decisions made by YPO by means of conducting scrutiny reviews in accordance with both an approved programme and on an ad-hoc "call in" basis.
9. In conducting reviews receive evidence and call witnesses as appropriate for each review so as to determine how decisions were made, on what basis were they made, if appropriate account of options and risks were considered, if the decisions made reflected original statements of intent and if decisions were made in a timely

fashion and if they were made in the best interests of YPO and in accord with YPO's public accountability and code of corporate governance.

10. To prepare a report following each review, setting out conclusions and recommendations, for submission to the Management Committee.
11. To review periodically the response of senior managers to completed reviews.
12. To carry out reviews requested by the Executive Sub-Committee and the Management Committee.

To act with delegated authority of the Management committee in respect of:

1. To approve the annual governance statement to the Management Committee for inclusion in the annual statement of accounts, and review the implementation of any audit recommendations arising from the final accounts audit.
2. To approve the acceptance of the annual statement of accounts. In the event the Committee not being quorate the Chair of the Audit & Scrutiny Sub-Committee shall have delegated authority from the Management Committee to sign the accounts if confident to do so after consultation with the Section 151 Officer.

Yorkshire Purchasing Organisation

Joint Consultative Committee Terms of Reference 2019/20

Number of Members

- Five Councillors (including the Chair and Vice Chair of the Management Committee) drawn from different member authorities.
- The Chair and Secretary of the YPO branch of UNISON.
- The UNISON Regional Organiser responsible for liaising with YPO.

Frequency of Meetings

Three times per annum, linked to Management Committee meetings.

Quorum

Two Councillors and two Trade Union officials.

Substitutes

Agreed name substitutes are allowed.

Remit

1. To represent and co-ordinate the views locally of UNISON and Members of the YPO Management Committee on issues of common interest in relation to YPO.
2. To raise issues, make recommendations and reach agreement on issues which have an effect on the employees of YPO, but without binding effect on either party.
3. To monitor and challenge the outputs of any employee satisfaction survey.
4. To promote the well-being of employees and monitor and challenge matters related to sickness and attendance.
5. To promote, challenge and monitor YPO's actions in relation to it being an employer of choice and its public sector equality duties.
6. To review annually its terms of reference and report any additions and amendments to the Management Committee.
7. To provide an update to management committee on any matters arising which warrant a wider discussion.

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Date of Meeting		Board Meeting	Strategic Officers Meeting	Executive Sub Committee	Management Committee	JCC Members Meeting	Audit & Scrutiny Sub Committee	Partnership Liaison Meeting
July								
23/07	9:00	Board Meeting						
August								
27/08	9:00	Board Meeting						
September								
25/09	9:00	Board Meeting						
October								
TBC	9:00							Partnership Meeting
15/10	10:30		Strategic Officers					
22/10	9:00	Board Meeting						
November								
01/11	10:30						Audit & Scrutiny Sub	
15/11	10:30			Executive Sub				
26/11	9:00	Board Meeting						
29/11	9:30					JCC		
29/11	10:30				Management Committee			
December								
17/12	9:00	Board Meeting						
January								
28/01	9:00	Board Meeting						
February								
TBC	TBC							Partnership Meeting
04/02	10:30		Strategic Officers					
14/02	10:30						Audit & Scrutiny Sub	
25/02	10:30	Board Meeting						
March								
06/03	10:30			Executive Sub				
20/03	9:30					JCC		
20/03	10:30				Management Committee			
24/03	9:00	Board Meeting						
April								
28/04	9:00	Board Meeting						
May								
TBC	TBC							Partnership Meeting
19/05	9:00	Board Meeting						
June								
19/06	10:30		Strategic Officers					
23/07	9:00	Board Meeting						
July								
03/07	10:30						Audit & Scrutiny Sub	
10/07	10:30			Executive Sub				
24/07	9:30					JCC		
24/07	10:30				Management Committee			
28/07	9:00	Board Meeting						

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TRAINING SCHEDULE 2019 - 2020

	EXEC SUB COM	AUDIT & SCRUTINY SUB COM
Date and Training Topic	15 th November 2019 Order Process in the Warehouse David Sergent	1 st November 2019 Internal Audit Training Jason Brook
Date and Training Topic	6 th March 2020 Procurement Services Framework Case Study - Apprenticeships Lizzy Grayson	14 th February 2020 External Audit Training External Auditors
Date and Training Topic	5 th June 2020 Marketing Strategy Jo Marshall	22 nd May 2020 Strategic Planning Paul Smith

September 2020 – Strategic Review Day Elected Members/Strategic Officers

2020/2021 TRAINING TOPICS:

- Operations Strategy
- Finance Strategy
- IT Strategy
- Education Strategy
- Public Sector Strategy
- People Strategy

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