



**AUDITED  
STATEMENT  
OF ACCOUNTS  
2015**

# Foreword and Financial Summary by the Managing Director

## 1. INTRODUCTION

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

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

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

The membership consists of:

### Founder Member Authorities

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

### Associate Member Authorities

### first year of membership

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

# Foreword and Financial Summary by the Managing Director

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

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

## **2. ACCOUNTABILITY AND FINANCIAL REPORTING**

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

## **3. THE STATEMENTS**

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

### Core Statements

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

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

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

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

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

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

# Foreword and Financial Summary by the Managing Director

## **4. FINANCIAL SUMMARY**

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

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

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

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

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

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

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

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

No acquisitions or discontinuation of operations were made during 2015.

## **5. RETIREMENT BENEFITS**

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

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

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

## **6. SIGNIFICANT MATTERS**

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

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

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

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

# Foreword and Financial Summary by the Managing Director

## **7. MEDIUM TERM FINANCIAL STRATEGIES**

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

Simon Hill  
Managing Director  
22/04/2016

# Statement of Responsibilities

## **THE ORGANISATION'S RESPONSIBILITIES**

The Organisation is required to:

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

## **THE RESPONSIBILITIES OF THE ASSISTANT CHIEF EXECUTIVE, RESOURCES & GOVERNANCE**

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

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


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

The Assistant Chief Executive, Resources & Governance has also:

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

## **THE ASSISTANT CHIEF EXECUTIVE, RESOURCES & GOVERNANCE**

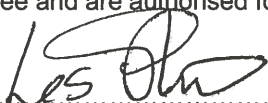
I certify that the Statement of Accounts presents a true and fair view of the financial position of the Yorkshire Purchasing Organisation at 31st December 2015 and its Income and Expenditure for the year then ended.



**GRAHAM SAXTON**  
Chief Finance Manager (Interim Section 151 officer)

## **APPROVAL OF THE ACCOUNTS**

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



**Cllr LES SHAW**  
Chairman YPO Management Committee



## **Independent auditor's report to the members of Yorkshire Purchasing Organisation**

We have audited the financial statements of Yorkshire Purchasing Organisation for the year ended 31 December 2015 on pages 9 to 32. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of the Organisation, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to the members of the Organisation, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Organisation, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Assistant Chief Executive, Resources and Governance and auditor**

As explained more fully in the Statement of Responsibilities, the Assistant Chief Executive, Resources and Governance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Organisation's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Assistant Chief Executive, Resources and Governance; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.





## **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of the Organisation as at 31 December 2015 and of the Organisation's expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

## **Matters on which we are required to report by exception**

The Code of Audit Practice 2010 for Local Government Bodies requires us 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 explanatory foreword for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under section 8 of Audit Commission Act 1998 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under section 11 of the Audit Commission Act 1998; or
- any other special powers of the auditor have been exercised under the Audit Commission Act 1998.

We have nothing to report in respect of these matters

## **Other matters on which we are required to conclude**

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Organisation has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are also required by the Audit Commission's Code of Audit Practice to report any matters that prevent us being satisfied that the audited body has put in place such arrangements.

We have undertaken our audit in accordance with the Code of Audit Practice and, having regard to the guidance issued by the Audit Commission in October 2014, we have considered the results of the following:

- our review of the annual governance statement;
- the work of other relevant regulatory bodies or inspectorates, to the extent the results of the work have an impact on our responsibilities; and

As a result, we have concluded that there are no matters to report.





## Certificate

We certify that we have completed the audit of the financial statements of Yorkshire Purchasing Organisation in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice 2010 for Local Government Bodies issued by the Audit Commission.

A handwritten signature in blue ink, appearing to read 'R. Khangura', with a large, sweeping flourish at the end.

**Rashpal Khangura**

**for and on behalf of KPMG LLP, Appointed Auditor**

*Chartered Accountants*

1 Sovereign Square

Sovereign Street

Leeds

LS1 1DR

10 May 2016



## MOVEMENT IN RESERVES STATEMENT

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

2014 Re-Stated	£'000											Note
	Usable Reserves			Unusable Reserves								
	General Fund Balance	Capital Receipt Reserve	Internal Investment Reserve	Joint Committee Capital Adjustment Account	Earmarked Pension Reserve	Earmarked Accumulated absences account	Revaluat ion Reserve	Total Usable reserves	Total Unusable reserves	Total Reserves		
Balance as at 31 December 2013	25,328	85	3,431	11,853	(17,861)	(42)	240	28,844	(5,811)	23,034		
<b>Movement in Reserves during 2014</b>												
Surplus or (Deficit) on Operations	406						-	406	0	406		
Other Comprehensive Income					763		(172)	0	591	591		
<b>Total Comprehensive Expenditure and Income</b>	406	0	0	0	763	0	(172)	406	591	996		
Adjustments between accounting basis and funding basis under regulation	-						-	-	-	-		
<b>Net Increase / (Decrease) before transfer to Earmarked Reserves</b>	406	0	0	0	763	0	(172)	406	591	996		
Transfer (to) / from Earmarked Reserves	3,774		(1,601)	(590)	(1,554)	(27)	(5)	2,176	(2,176)	(0)		
<b>Increase / (Decrease) in Movement in Year</b>	4,179	0	(1,601)	(590)	(791)	(27)	(177)	2,578	(1,586)	992		
Balance as at 31 December 2014	29,507	85	1,830	11,263	(18,652)	(69)	62	31,422	(7,396)	24,026	13	

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

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

# Comprehensive Income and Expenditure Account

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

\*2014 figures re-stated to reflect overstatement of unfunded pension liability and Drivers' salaries moved from Transport costs to People costs within the overheads section.

# BALANCE SHEET

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

Restated 31st Dec 2014 <u>£'000</u>		31st Dec 2015 <u>£'000</u>	<u>Note</u>
<b>ASSETS AND LIABILITIES</b>			
<b>Long term Assets</b>			
<b>Property, Plant and Equipment</b>			
9,877	Land and Buildings	9,240	1(e),8
666	Vehicles, Furniture & Equipment	1,032	1(e),8
<u>108</u>	Intangible Assets	<u>69</u>	1(e),8
<u><b>10,651</b></u>	<b>Total Long Term Assets</b>	<u><b>10,341</b></u>	
<b>Current Assets</b>			
10,631	Inventories	12,544	1(m),9
14,301	Short term debtors	11,827	1(u),10
<u>15,379</u>	Cash and cash equivalents	<u>17,237</u>	
<u><b>40,312</b></u>	<b>Total Current Assets</b>	<u><b>41,608</b></u>	
<b>Current Liabilities</b>			
<u>(8,285)</u>	Short term creditors	<u>(8,357)</u>	1(v),11
<u><b>(8,285)</b></u>	<b>Total Current Liabilities</b>	<u><b>(8,357)</b></u>	
<u><b>32,027</b></u>	<b>Net Current Assets</b>	<u><b>33,251</b></u>	
<b>Long term Liabilities</b>			
<u>(18,652)</u>	Liability relating to Defined Benefit Pension Scheme	<u>(16,827)</u>	1(h),7
<u><b>24,026</b></u>	<b>Net Assets</b>	<u><b>26,765</b></u>	
<b>Financed by:</b>			
<b>Usable Reserves</b>			
29,507	General Fund	30,302	
85	Usable Capital Receipts Reserve	85	1(g),13
1,830	Internal Investment reserve	2,303	1(g),13
<b>Unusable Reserves</b>			
11,263	Joint Committee Capital Adjustment Account	11,014	1(g),13
<u>(18,652)</u>	Pension Reserve	<u>(16,827)</u>	1(h),7,13
<u>(69)</u>	Earmarked Accumulated Absences Account	<u>(112)</u>	1(g),13
62	Revaluation Reserve	0	1(g),13
<u><b>24,026</b></u>	<b>Total Reserves</b>	<u><b>26,765</b></u>	

# 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.

<u>2014</u>		<u>2015</u>
<u>£'000</u>		<u>£'000</u>
<u>406</u>	<b>Net surplus/(deficit) on the provision of service</b>	<u>(701)</u>
	<b>Adjustment to the net surplus/(deficit) for non cash movements</b>	
835	Depreciation and revaluation increase/(decrease)	1,048
(818)	(Increase)/Decrease in Inventories	(1,912)
(1,101)	(Increase)/Decrease in Debtors	2,474
1,554	(Increase)/Decrease in Pension Liability	1,675
128	Increase/(Decrease) in Creditors	71
(1,339)	Redemption of loyalty vouchers	(1,272)
<u>(742)</u>		<u>2,084</u>
	<b>Adjustments for items included in the net surplus/(deficit) that are financing/investing activities</b>	
8,190	Proceeds from sale of PPE	8,339
<u>8,190</u>	Dividend payment	<u>8,339</u>
<u>7,854</u>	<b>Net cash flows from operating activities</b>	<u>9,722</u>
	<b>Investing Activities</b>	
(242)	Purchase of PPE	(798)
0	Proceeds from Sale of PPE	0
<u>(242)</u>		<u>(798)</u>
	<b>Financing Activities</b>	
(6,851)	Dividends paid to Members	(7,067)
<u>(6,851)</u>		<u>(7,067)</u>
<u>761</u>	<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<u>1,857</u>
14,618	Cash and Cash Equivalents at the beginning of the reporting period	15,379
<u>15,379</u>	<b>Cash and Cash Equivalents at the end of the reporting period</b>	<u>17,237</u>

<b>Note on operating activities</b>		
	The cash flows from operating activities include the following items	
88	Interest Receivable	80
<u>88</u>		<u>80</u>

# Notes to the Core Financial Statements

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

## **1. STATEMENT OF ACCOUNTING POLICIES**

### **GENERAL PRINCIPLES**

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

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

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

The following policies have been adopted in compiling the accounts:

Fundamental Accounting Concepts:

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

### **a. ACCRUALS OF INCOME AND EXPENDITURE**

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

### **b. TURNOVER**

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

### **c. OVERHEADS**

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

### **d. COMPONENTISATION OF NON CURRENT ASSETS**

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

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

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

## Notes to the Core Financial Statements

### e. NON CURRENT ASSETS

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

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

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

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

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

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

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

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

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

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

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

### f. INTANGIBLE FIXED ASSETS

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

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

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

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

### g. RESERVES

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

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

# Notes to the Core Financial Statements

## **h. EMPLOYEE BENEFITS**

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

### **Benefits payable during employment**

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

### **Termination Benefits**

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

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

### **Post Employment Benefits**

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

### **The Local Government Pension Scheme**

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

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

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

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

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

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

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

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

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

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

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

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

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

### **Discretionary Benefits**

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

# Notes to the Core Financial Statements

## i. TAXATION

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

## j. EXCEPTIONAL ITEMS, EXTRAORDINARY ITEMS AND PRIOR YEAR ADJUSTMENTS

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

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

## k. EVENTS AFTER THE BALANCE SHEET DATE

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

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

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

## l. INTEREST RECEIVABLE/PAYABLE

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

## m. INVENTORIES

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

## n. LEASES

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

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

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

## o. CONTINGENT LIABILITIES & ASSETS

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

## p. PROVISIONS

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

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

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

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

## q. FINANCIAL INSTRUMENTS

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

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

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

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

# Notes to the Core Financial Statements

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

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

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

## **r. ESTIMATION TECHNIQUES**

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

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

## **s. CASH & CASH EQUIVALENTS**

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

## **t. FOREIGN CURRENCY TRANSLATION**

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

## **u. DEBTORS**

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

## **v. CREDITORS**

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

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

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

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

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

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

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

## **3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

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

### **Leasing**

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

### **Related Party Transactions**

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

### **Asset ownership**

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

### **Invoicing of direct supply goods**

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

# Notes to the Core Financial Statements

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

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

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

### **Pensions Liability**

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

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

### **Framework Contract Income**

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

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

### **Property, Plant & Equipment**

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

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

### **Foreign currency transactions**

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

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

## 5. MATERIAL ITEMS OF INCOME AND EXPENDITURE

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

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

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

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

## 6. TURNOVER

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

## 7. RETIREMENT BENEFITS

### **Participation in pension schemes**

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

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

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

## Notes to the Core Financial Statements

### Transactions relating to post - employment benefits

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

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

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

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

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

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

### Pension assets and liabilities recognised in the Balance Sheet

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

	Funded		Unfunded	
	2014 £000s	2015 £000s	2014 (Restated) £000s	2015 £000s
Fair value of assets	70,337	71,953	0	0
Present value of the defined benefit obligation	(88,018)	(87,863)	(971)	(917)
<b>Net liability arising from defined benefit obligation</b>	<b>(17,681)</b>	<b>(15,910)</b>	<b>(971)</b>	<b>(917)</b>

## Notes to the Core Financial Statements

### Reconciliation of Fair Value of the Scheme Assets

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

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

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

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

### 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	
	<u>2014</u>	<u>2015</u>
Equity investments	75.20%	75.00%
Property	3.60%	4.60%
Bonds	15.30%	15.20%
Other assets *	5.90%	5.20%
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>

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

### Basis for estimating assets and liabilities

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

The principal assumptions used by the actuary have been:

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

## Notes to the Core Financial Statements

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

### Impact on the Defined benefit Obligation in the Scheme

	Increase in Assumption £000	Decrease in Assumption £000
Member Life expectancy (+ or - 1 year)	2,204	(2,206)
Rate of increase in salaries (+ or - 0.1%)	488	(482)
Rate of increase in pensions (+ or - 0.1%)	1,314	(1,293)
Rate for discounting scheme liabilities (+ or - 0.1%)	(1,839)	1,878

### Impact on the Organisation's Cash Flows

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

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

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

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

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

## Notes to the Core Financial Statements

### 8. Property Plant and Equipment

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

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

#### Property Plant and Equipment

##### Cost or valuation

Opening balance 1 January 2015	9,877	684	860	2,774	14,194
Acc depreciation write out to gross carrying amount	(168)	-	-	-	(168)
Revaluation increase / (decrease) recognised in the Revaluation Reserve	(61)	-	-	-	(61)
Revaluation increase / (decrease) recognised in the I&E	(530)	-	-	-	(530)
Additions	122	49	65	562	798
Impairment	-	-	-	-	-
Disposals	-	-	-	-	-

##### At 31 December 2015

##### Depreciation and impairments

Opening balance 1 January 2015	0	317	813	2,521	3,651
Charge for depreciation 2015	168	71	34	206	478
Disposals	-	-	-	-	0
Impairment	-	-	-	-	0
Acc depreciation write out to gross carrying amount	-	-	-	-	0
Revaluation	(168)	-	-	-	(168)

##### At 31 December 2015

##### Net Book Value at 31 December 2015

##### Net Book Value at 1 January 2015

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

#### 2014 Comparative

#### Property Plant and Equipment

##### Cost or valuation

Opening balance 1 January 2014	10,325	627	839	3,038	14,829
Acc depreciation write out to gross carrying amount	(172)	-	-	(264)	(436)
Revaluation increase / (decrease) recognised in the Revaluation Reserve	(172)	-	-	-	(172)
Revaluation increase / (decrease) recognised in the I&E	(151)	-	-	-	(151)
Additions	47	57	21	-	124
Impairment	-	-	-	-	-
Disposals	-	-	-	-	-

##### At 31 December 2014

##### Depreciation and impairments

Opening balance 1 January 2014	0	252	763	2,397	3,412
Charge for depreciation 2014	172	64	50	388	674
Disposals	-	-	-	-	0
Impairment	-	-	-	-	0
Acc depreciation write out to gross carrying amount	-	-	-	(264)	(264)
Revaluation	(172)	-	-	-	(172)

##### At 31 December 2014

##### Net Book Value at 31 December 2014

##### Net Book Value at 1 January 2014

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

## Notes to the Core Financial Statements

### 8a. Intangible Assets

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

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

2014 Comparative	Intangible Assets £'000
<b>Cost or valuation</b>	
Opening balance 1 January 2014	0
Additions	118
Impairment	
Disposals	
<b>At 31 December 2014</b>	<b>118</b>
<b>Amortisation and impairments</b>	
Opening balance 1 January 2014	0
Amortisation charge for 2014	10
Impairment	
Disposals	
<b>At 31 December 2014</b>	<b>10</b>
<b>Net Book Value at 31 December 2014</b>	<b>108</b>
<b>Net Book Value at 1 January 2014</b>	<b>0</b>

### 9. Inventories

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

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

## Notes to the Core Financial Statements

### 10. DEBTORS AND PAYMENTS IN ADVANCE

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

	31st Dec 2014 £'000	31st Dec 2015 £'000
Trade Debtors	10,643	8,271
Accumulated Absences	5	4
Less - Provision for Bad Debts	(80)	(57)
	10,568	8,218
Payments in Advance and accrued income	3,733	3,609
<b>Total</b>	14,301	11,827

Debtors are analysed by the following categories

#### Trade debtors

central government bodies	48	1
other local authorities	8,282	5,229
NHS bodies	37	24
public corporations and trading funds	2	0
bodies external to general government (i.e. all other bodies).	2,274	3,018
	10,643	8,271

	31st Dec 2014 £'000	31st Dec 2015 £'000
central government bodies	48	1
other local authorities	8,282	5,229
NHS bodies	37	24
public corporations and trading funds	2	0
bodies external to general government (i.e. all other bodies).	2,274	3,018
	10,643	8,271

#### 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).	3,733	3,609
	3,733	3,609

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

### 11. CREDITORS AND RECEIPTS IN ADVANCE

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

	31st Dec 2014 £'000	31st Dec 2015 £'000
<b>Creditors and Receipts in Advance</b>		
Trade Creditors	5,707	5,210
Accruals	2,320	2,871
VAT	189	159
Accumulated absences	69	116
<b>Total</b>	8,285	8,357

Creditors are analysed by the following categories

#### Trade creditors

central government bodies	-	-
other local authorities	55	47
NHS bodies	-	-
public corporations and trading funds	-	-
bodies external to general government (i.e. all other bodies).	5,652	5,163
	5,707	5,210

central government bodies	-	-
other local authorities	55	47
NHS bodies	-	-
public corporations and trading funds	-	-
bodies external to general government (i.e. all other bodies).	5,652	5,163
	5,707	5,210

#### Accruals/VAT

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

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

#### Long Term Liabilities

Liability relating to Defined Benefit Pension Scheme	18,652	16,827
<b>Total</b>	18,652	16,827

Liability relating to Defined Benefit Pension Scheme	18,652	16,827
<b>Total</b>	18,652	16,827

## Notes to the Core Financial Statements

### 12. RISK TO FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

### 13. MOVEMENTS IN RESERVES

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

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

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

## Notes to the Core Financial Statements

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

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

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

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

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

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

## Notes to the Core Financial Statements

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

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

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

(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.

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

(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.

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

## Notes to the Core Financial Statements

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

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

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

#### 14. EMPLOYEE EMOLUMENTS

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

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

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

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

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

## Notes to the Core Financial Statements

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

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

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

### 15. OPERATING LEASES

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

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

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

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

### 16. AMOUNTS REPORTED FOR DECISION MAKING AND PLANNING

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

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

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

## Notes to the Core Financial Statements

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

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

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

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

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

## Notes to the Core Financial Statements

### 17. RELATED PARTY TRANSACTIONS

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

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

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

The value of business transacted with each founder member was:

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

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

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

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

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

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

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

	Transactions Value (Ex VAT) for the year £	Outstanding Balance as at 31st Dec 2015 £
YPO Procurement Holdings	-	-
YPO Supplies Ltd	602,403	232,476

### 18. AUDIT COSTS

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

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

## Notes to the Core Financial Statements

### **19. EVENTS AFTER THE BALANCE SHEET DATE**

The 18th March 2016 Management Committee Meeting approved the pre audit statement of Accounts and agreed a profit distribution in respect of the 2015 trading year of £9.230m 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 22nd April 2016 when the accounts were authorised for issue by the Audit Sub Committee.

## Glossary of Terms

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

### **Accounting Period**

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

### **Actuarial Gains and Losses**

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

### **Accumulated Absences**

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

### **Annual Governance Statement**

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

### **Asset**

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

### **Audit of Accounts**

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

### **Budget**

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

### **Cash equivalents**

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

### **Cash equivalent vouchers**

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

### **Current Assets**

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

### **Defined Benefit Plans**

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

### **Depreciation**

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

### **Direct Supply**

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

Where items of income or expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Organisation's financial performance.

#### **Finance Lease**

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

#### **Financial Instrument**

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

#### **Financial Procedure Rules**

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

#### **Impairment**

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

#### **International Accounting Standards (IAS)**

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

#### **International Financial Reporting Standards (IFRS)**

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

#### **Inventories**

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

#### **Liability**

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

#### **Net Book Value**

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

#### **Net Expenditure**

Gross expenditure less specific income.

#### **Outturn**

Actual income receivable and expenditure due in a financial year.

#### **Payments in Advance**

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

#### **Prior year adjustments**

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

#### **Remuneration**

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

**Reserve**

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

**Turnover**

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

**Useful life**

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

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