

Your Ref.  
Our Ref

Please Reply To **Kayley Sykes**  
Telephone No (01924) 834912  
Email [kayley.sykes@ypo.co.uk](mailto:kayley.sykes@ypo.co.uk)  
Date 01 March 2018

Merran McRae – Chief Executive

Town Hall  
Wood Street  
Wakefield  
WF1 2HQ

T 01924 305101; E [chiefexec@wakefield.gov.uk](mailto:chiefexec@wakefield.gov.uk)  
Typetalk calls welcome

**To: Members of the YPO Joint Committee Executive Sub-Committee**

Dear Member,

**YPO EXECUTIVE SUB-COMMITTEE – FRIDAY, 9 MARCH 2018**

It is with pleasure that I write to invite you to attend a meeting of the YPO Joint Committee Executive Sub-Committee which is to be held at **10:30 am on Friday, 9 March 2018** in the **YPO Headquarters, 41 Industrial Park, Wakefield** to consider the items set out in the agenda attached.

Yours sincerely



Merran McRae  
Secretary to the Joint Committee

**As a courtesy to colleagues will you please turn off your mobile phones and pagers prior to the start of the meeting.**

**YORKSHIRE PURCHASING ORGANISATION EXECUTIVE SUB-COMMITTEE -  
Friday, 9 March 2018**

**AGENDA**

1. Chair's Introduction and Welcome.
2. Acceptance of Apologies for Absence.
3. Members' Declarations of Interest.
4. To note any items which the Chairman has agreed to add to the Agenda on the grounds of urgency.
5. To approve, as a correct record, the Minutes of the Executive Sub-committee meeting held on 22nd September 2017. (Pages 1 - 3)
6. Lead Authority Issues.
7. Standing Orders and Financial Procedure Rules. (Pages 5 - 21)
8. Earmarked Reserves Spend. (Pages 23 - 25)
9. Exclusion of the Public and Press  
In relation to reports containing exempt information to consider and, if approved, pass the following resolution: -  
  
"That the public and press be excluded from the meeting during consideration of agenda items 10 - 12 on the grounds that they are likely to involve the disclosure of exempt information as described in Part 1 of Schedule 12A to the Local Government Act 1972, as amended."  
  
10. Financial Performance Report. (Pages 27 - 36)
11. Credit Control. (Pages 37 - 41)
12. Business Update. (Pages 43 - 45)
13. Date and Time of Next Meeting.  
The next Executive Sub Committee will be held on 8<sup>th</sup> June 2018.

**YORKSHIRE PURCHASING ORGANISATION EXECUTIVE SUB-COMMITTEE**

**22<sup>ND</sup> SEPTEMBER 2017**

**Present:**        The Chair: Councillor Shaw (Wakefield)  
                       Councillors: Atkin (Rotherham), Byron (Knowsley), Walker (Wigan),  
                       Whiteley (Bradford).

<b>46:</b>	<b>CHAIR'S INTRODUCTION &amp; WELCOME</b>
	The Chair, Councillor Shaw, welcomed Members to the meeting.
<b>47:</b>	<b>APOLOGIES FOR ABSENCE</b>
	Apologies for absence submitted prior to the meeting were accepted on behalf of Councillors Mercer (York), Johnson (St Helens) & Mackenzie (North Yorkshire).
<b>48:</b>	<b>MEMBERS DECLARATION OF INTEREST</b>
	No declarations of interest were made.
<b>49:</b>	<b>URGENT ITEMS</b>
	No items were discussed.
<b>50:</b>	<b>MINUTES – 16 June 2017</b>
	<b>Resolved</b> – (1) That the Minutes of the meeting of the YPO Executive Sub-Committee held on 16 <sup>th</sup> June 2017 be approved as a true and accurate record.
<b>51:</b>	<b>LEAD AUTHORITY ISSUES</b>
	No Lead Authority issues were discussed.
<b>52:</b>	<b>ASSOCIATE MEMBER PROPOSALS</b>
	<p>A report was submitted detailing applications for two new Associate memberships from key target geographies:</p> <ul style="list-style-type: none"> <li>▪ Police &amp; Crime Commissioner for Merseyside</li> <li>▪ Telford &amp; Wrekin Council</li> </ul> <p>Councillors asked for more detail and clarification around a number of points and were satisfied with the responses provided by Officers.</p> <p>Members were notified of two additional Associate Member proposals (North Yorkshire Police and Harrogate) which will be presented to Strategic Officers in October and if recommended they will be taken to the Management Committee for approval.</p>

	<p><b>Resolved</b> - (1) That the report was acknowledged and recommended to the Management Committee for approval.</p>
<b>53:</b>	<b>EXCLUSION OF THE PUBLIC AND PRESS</b>
	<p><b>Resolved</b> – That the public and press be excluded from the meeting during consideration of Agenda Items 9 to 13 on the grounds that they are likely to involve the disclosure of exempt information as described in Part 1 of Schedule 12A to the Local Government Act 1972 as amended.</p>
<b>54:</b>	<b>PERFORMANCE REPORT (EXEMPT)</b>
	<p>The Executive Director (Paul Smith) presented the Performance Report which detailed the year to date business performance for the Organisation.</p> <p>A verbal update was provided to Councillors on the performance of the organisation over the last month.</p> <p>Cllr Atkin noted that he finds the information detailed in the report positive and welcomes the performance update.</p> <p>Cllr Walker queried the process with debtors and it was agreed that a further report from the credit control team and how debtors are managed would be presented at the next Executive Sub Committee.</p> <p><b>Resolved</b> – (1) That the Performance Report be acknowledged and noted.</p>
<b>55:</b>	<b>BUSINESS UPDATE (EXEMPT)</b>
	<p>The Executive Directors (Paul Smith, Jo Marshall &amp; Julie Wray) presented the Business Update which provided Members with an update on activities of the organisation since the last sub-committee and provided an overview on forthcoming activities and challenges.</p> <p><b>Resolved</b> – (1) That the report be noted.</p>
<b>56:</b>	<b>STOCK LOSSES REPORT (EXEMPT)</b>
	<p>A report was submitted to inform Members of the stock losses position for 2017.</p> <p>The report explained that a Perpetual Inventory Team has been introduced and a review of the returns process is ongoing where policy changes may be identified.</p> <p><b>Resolved</b> – (1) That the report be noted.</p>

<p><b>57:</b></p>	<p><b>COST SAVING UPDATE (EXEMPT)</b></p> <p>The Executive Director (Paul Smith) presented the Cost Saving Update to Members.</p> <p>The report shared details of the Future Proofing Programme and provided an overview of upcoming activities, challenges and goals.</p> <p><b>Resolved – (1)</b> That the report be noted.</p>
<p><b>58:</b></p>	<p><b>STRATEGY UPDATE (EXEMPT)</b></p> <p>The Executive Director (Paul Smith) delivered the report which updated Members on the progress to date and themes of the next Three Year Strategy (2018-2020).</p> <p>It was explained that a final version of the Three Year Strategy will be presented to Strategic Officers and then taken to Management Committee for approval.</p> <p><b>Resolved – (1)</b> That the Strategy Update is acknowledged and it is noted that a final version of the document will be presented to the Management Committee.</p>
<p><b>59:</b></p>	<p><b>DATE AND TIME OF NEXT MEETING</b></p> <p><b>Resolved –</b> That the next meeting of the YPO Executive Sub Committee is proposed for 9<sup>th</sup> March 2018 at 10.30am.</p>

**This page is intentionally left blank**



**YPO**  
**EXECUTIVE SUB-COMMITTEE**  
**TO BE HELD ON**  
**9<sup>TH</sup> MARCH 2018**

**TITLE: FINANCIAL PROCEDURE RULES & STANDING ORDERS FOR CONTRACTS**

**REPORT OF: HEAD OF FINANCE**

---

**1. BACKGROUND INFORMATION**

- 1.1 The Financial Procedure Rules are a key element of YPO's governance arrangements and make a clear, transparent statement that aims to promote the highest standards in financial management and activity.
- 1.2 The Financial Procedure Rules should be reviewed and updated on a regular basis to ensure compliance with current regulations and best practice and to consult founder members, as set out in the Management Agreement.
- 1.3 The revised Rules are attached at Appendix 1. Usual practice is to show 'track changes' so that any amendments are immediately obvious. However, this year, the rules have been modernised, moving away from the legal style they were written in to more everyday language that helps to meet the need stated in the rules that they should be clear, understandable and transparent. As a result, using track changes throughout the document would have made it very difficult to read.
- 1.4 No material changes have been made as a result of the re-write but two additional amendments have been made on Page 5 of the Financial Procedure Rules (which are shown with track changes) and attention is drawn to these below:
  - Section 7 Disbursements – Payroll: the original paragraph 7.5 read: "*No officer of the Organisation shall, under cover of their office, accept any fee or reward other than their proper remuneration.*" It is proposed that this paragraph is deleted as it does not relate to this section (though may be relevant to the Employee Code of Conduct).
  - Section 7 Disbursements – Orders for Work, Goods and Services has been extended to include Stock, and strengthened to ensure a central register of officers authorised to raise and approve orders and their authorisation levels is put together.
- 1.5 In addition to the above, the Financial Procedure Rules have been separated out from Standing Orders for Contracts so that they stand alone as a separate document. It is hoped that this will make them easier to find and use and to facilitate training.
- 1.6 Although there are few material changes to the Rules it is important that staff are reminded of them and the obligations they place on them, and that those staff directly affected by them are required to attend training.
- 1.7 Standing Orders for Contracts have also been reviewed and there are no changes to

them.

**2. STRATEGIC IMPLICATIONS**

- 2.1 The update reflects any changes in regulations and best practice and improved controls in some aspects of financial management.

**3. FINANCIAL/RESOURCE IMPLICATIONS**

- 3.1 There are no additional financial or resource implications arising from this report.

**4. LEGAL IMPLICATIONS**

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

**5. RISK IMPLICATIONS**

- 5.1 There is a risk that officers will not comply with the Financial Procedure Rules: this risk will be mitigated by ensuring that mandatory training takes place for all relevant staff.

**6. CONSULTATION**

- 6.1 The Finance and Contracts Management Team and the Executive Director have been consulted in the preparation of this report and the revised Financial Procedure Rules.
- 6.2 The revised document was admitted to the Audit & Scrutiny Sub Committee held on 16<sup>th</sup> February 2018 where it was agreed to recommend for approval to the full Management Committee.

**7. OPTIONS APPRAISAL**

- 7.1 None: the Financial Procedure Rules are a key element of YPO's governance arrangements and regular update ensures they reflect the most up to date regulation.

**8. RECOMMENDATIONS**

- 8.1 That the Executive Sub-Committee note the revised Financial Procedure Rules at Appendix 1, and agree to recommend for approval to the full Management Committee.

**9. REASONS FOR RECOMMENDATIONS**

- 9.1 Financial Procedure Rules are a key element of YPO's governance arrangements.

**SERVICE DIRECTOR: PAUL SMITH, EXECUTIVE DIRECTOR**

YPO  
41 Industrial Park  
Wakefield  
WF2 0XE

Telephone No: 01924 834969  
E-mail address: paul.smith@ypo.co.uk

**CONTACT OFFICER: STEVEN HALL, HEAD OF FINANCE**

YPO  
41 Industrial Park  
Wakefield  
WF2 0XE

Telephone No: 01924 821775  
E-mail address: steven.hall@ypo.co.uk

**APPENDICES**

*Appendix 1: Financial Procedure Rules*

**This page is intentionally left blank**

## Financial Procedure Rules

### 1 DEFINITIONS

- 1.1 Please see Appendix 1 for definitions of key terms.

### 2 INTRODUCTION

- 2.1 Financial Procedure Rules are a key element of YPO's governance arrangements. They make a clear, understandable and transparent statement that aims to promote the highest standards in financial management and activity, ensuring probity, integrity, accountability and impartiality.

### 3 RESPONSIBILITY FOR OBSERVANCE

- 3.1 The Management Committee is responsible for regulating and controlling YPO's finances. The Financial Procedure Rules apply to all Members of the Management Committee and to Officers acting on behalf of YPO. The Management Committee is empowered to delegate any of its responsibilities in these rules to a Sub-Committee of not less than one third of its membership, subject to an annual report to the Management Committee on the operation of these rules.
- 3.2 For the purpose of S151 of the Local Government Act 1972 and S114 of the Local Government Finance Act 1988 the Chief Financial Officer is responsible for the proper administration of YPO's finances and for ensuring, where appropriate, that any breaches of these rules are reported to the Management Committee.
- 3.3 The Managing Director will operate in accordance with these rules, Standing Orders for Contracts and the Managing Director's Scheme of Delegation with respect to any matter liable to affect YPO's finances. The Managing Director will provide the Management Committee with such financial and business information as may be reasonably required by them to fulfil their duties.
- 3.4 The Managing Director will meet the Chief Financial Officer (or their nominee) regularly to discuss YPO's financial matters and provide them with the financial information required to fulfil their duties. The Managing Director will inform the Chief Financial Officer of all matters relevant to YPO's financial management and stewardship in accordance with professional standards and codes of practice.
- 3.5 The Managing Director will report to the Chief Financial Officer if they believe that actual or predicted annual outturn is not, or may not be, in line with the budget; or if there are material changes in predicted annual income or expenditure or a significant risk of this.
- 3.6 The Managing Director will report to the Chief Financial Officer and Internal Audit any actual or suspected financial impropriety in accordance with YPO's Anti-Fraud and Bribery Policy and Fraud Response Plan.
- 3.7 The Managing Director is responsible for ensuring that all staff are aware of the Financial Procedure Rules, in particular those which apply to individual members of staff, and that they comply with them at all times.

**Financial Procedure Rules**

**4 BUDGETS**

- 4.1 The Managing Director will prepare annual budgets and seek the comments of the Chief Financial Officer before submitting them to the Management Committee for approval. These budgets will support YPO's operational plans and include revenue, people costs and investment requests (capital and revenue).
- 4.2 Unless specifically indicated otherwise, and subject to compliance with Standing Orders for Contracts, the inclusion of any item in the approved budget gives the Managing Director authority to incur the expenditure.
- 4.3 The Managing Director will ensure that adequate and effective budgetary control and monitoring is in place to identify, analyse and report any significant overspends.
- 4.4 The Managing Director is responsible for ensuring that overspends on approved budgets related to business volumes are reasonable, necessary, and matched, or exceeded by, corresponding increases in income.
- 4.5 The Managing Director is responsible for ensuring that overspending on approved budgets by budget holders, not directly related to business volumes, does not occur. In the event that it does occur, the Managing Director will report such overspends to the Chief Financial Officer immediately and at the next meeting of the Management Committee.
- 4.6 The Managing Director must present any proposal which would materially affect YPO's surplus / deficit or an existing business policy to the Management Committee for approval before any commitment is made. If urgent action is needed, the Managing Director will consult the Chief Financial Officer, and the Chairman, or Vice-Chairman of the Management Committee, and present a report at the next meeting of the Management Committee.
- 4.7 The Managing Director will produce a monthly income and expenditure report and make it available to the Chief Financial Officer and member authorities on request. The Managing Director will report YPO's financial position at each Management Committee meeting. The Managing Director will provide the Management Committee with an annual statement of account detailing actual results against budget for the financial period, along with an explanation of any significant variances.

**Virement / Transfer of Budgets**

- 4.8 The Managing Director can approve transfers between budgets up to the maximum amount stated in Appendix 2, providing that no change of policy or commitment to further ongoing expenditure is made. Transfers above the maximum amount stated in Appendix 2, or where a change in policy is involved, must be approved by the Management Committee.

**Financial Procedure Rules**

**5 INCOME**

- 5.1 The Managing Director, in consultation with the Chief Financial Officer, will agree a format for all income records, that must be used at all times.
- 5.2 Wherever practical and possible, at least two members of staff will be present when post is opened, to provide assurance that monies received are properly identified and recorded. Members of staff who receive monies on YPO's behalf are responsible for safe guarding them and paying them into YPO's bank accounts at a frequency agreed by the Managing Director.
- 5.3 The Managing Director, in consultation with the Chief Financial Officer, will put safeguards and controls in place for the transfer of YPO's money between staff.
- 5.4 The Managing Director will maintain a register of surpluses and deficits and ensure that it is made available to the Chief Financial Officer on request. All cash surpluses will be paid in. The Managing Director will have the discretion to make good cash shortages, or not.
- 5.5 Refunds of overpayments must be made through the payments system and not out of income.
- 5.6 The Managing Director, in consultation with the Chief Financial Officer, will determine the means of collection of income due to YPO. All accounts for income due will be prepared and despatched in accordance with these arrangements.
- 5.7 The Managing Director may approve the write off of irrecoverable invoice debts up to the limit in Appendix 2. The Managing Director will report to the Management Committee any individual write off that exceeds the limit. The annual provision for write offs will be identifiable in the financial accounts.

**6 STOCKS, ASSETS and INVENTORIES**

- 6.1 The Managing Director is responsible for the care and custody of all YPO stocks and assets under their control.
- 6.2 The Managing Director, in consultation with the Chief Financial Officer, will ensure adequate controls are in place for goods ordered to be received into the warehouse, recorded and kept secure.
- 6.3 The Managing Director, in consultation with the Chief Financial Officer, will ensure adequate controls are in place for stores accounts and records.
- 6.4 The Managing Director will arrange for continuous independent checking off all stores items at least annually and maintain a register of all stores surpluses, deficiencies and adjustments. This will be reported to the Management Committee annually and made available to the Chief Financial Officer on request.
- 6.5 The Managing Director will agree with the Management Committee a policy for the disposal of surplus and obsolete stock and ensure that staff comply with this.

### Financial Procedure Rules

- 6.6 The Managing Director may approve the write off of obsolete stock up to the limit in Appendix 2. The Managing Director will report to the Management Committee any individual write off that exceeds the limit. The annual provision for write offs will be identifiable in the financial accounts.
- 6.7 Stores will be valued in YPO's accounts using a recognised accounting standard.
- 6.8 The Managing Director is responsible for ensuring the safe custody of YPO's assets and that they will not be removed or used other than for YPO's business purposes, except where specifically instructed otherwise.
- 6.9 The Managing Director will maintain inventories of items of furniture, fittings, plant, machinery and equipment with a value greater than £500 and make arrangements for these to be checked at least annually.
- 6.10 The Managing Director will arrange for senior members of YPO staff to be safe and store key holders. Wherever possible, keys should be kept about the key holders' person and not be left on the premises. Where keys are kept on the premises they should be kept in secure key safes.
- 6.11 The Lead Authority will maintain a register of all land and buildings owned by, or held in trust for, YPO, recording the location, extent and plan references, purchase details, particulars of any tenancies granted, and the purpose for which the property is held. The Lead Authority will retain secure custody of all title deeds.
- 6.12 Sales of assets not bought for resale must not be made to members or YPO officers without prior consultation with the Management Committee. A written record must be kept of any sales. At least three tenders must be obtained before assets valued in excess of the limit set out in Appendix 2 (excluding land and buildings) can be sold, except where the Management Committee has approved other arrangements for a particular sale or type of sale.

## 7 DISBURSEMENTS

### Payroll

- 7.1 The Chief Financial Officer will approve the method of payroll preparation, payment, the documents to be kept and the certificates to be given for payment of wages.
- 7.2 The Managing Director will notify the lead authority, on the date and in the manner agreed, of all employee appointments, dismissals, resignations, absences from duty, suspensions, transfers and changes to remuneration (other than the usual increments).
- 7.3 The Managing Director is responsible for the correct completion and certification of time and incentive bonus payment records and for forwarding payroll data to the lead authority on the date and in the manner agreed.
- 7.4 All employees will be appointed in accordance with YPO regulations to approved establishment grades and rates of pay.

## Financial Procedure Rules

### Imprest Accounts / Petty Cash

- 7.5 The Chief Financial Officer will arrange for the Lead Authority's bankers to provide any necessary cash imprest accounts. The Managing Director is responsible for establishing procedures and limits for imprest accounts and ensuring that these procedures are adhered to. Imprest holders will ensure that imprest accounts are not in overdraft at any time.

### Orders for Work, Goods, Services and Stock

- 7.6 All orders, whether placed electronically, in writing, or verbally, commit YPO to incurring expenditure. Every Head of Department is responsible for orders placed by officers in their department and must ensure that:
- All works, goods, services and stock are procured using an official order and verbal orders are followed up immediately with an official order.
  - An official order number is always given to the supplier except where the supply is exempt from this (eg utility payments, petty cash).
  - All orders comply with Financial Procedure Rules and Standing Orders for Contracts including any requirement for quotations or tenders.
- 7.7 The Managing Director will maintain a register listing Directors and other senior managers authorised to approve orders and their authorisation limits. Any order must be certified by someone other than the officer who raised it.

### Creditor Payments

- 7.8 The Managing Director will maintain a register listing Directors and other senior managers authorised to certify payment of invoices and their authorisation limits. Any invoice must be certified by someone other than the officer who raised the order.
- 7.9 When certifying an invoice for payment, the nominated officer is confirming that:
- The goods or services have been properly ordered
  - Arrangements have been made to ensure that goods have been received and checked for quality and quantity
  - Arrangements have been made to ensure that work done or service rendered has been carried out satisfactorily and that, where applicable, materials used were to a requisite standard
  - Prices are in accordance with the contract or quotation where either exists, or are otherwise reasonable
  - The invoice is arithmetically correct
  - The appropriate deductions for discounts will be made and the appropriate terms applied
  - Where applicable, the goods have been or will be recorded in YPO's inventory, stores or other appropriate record
  - Expenditure has been correctly coded

## Financial Procedure Rules

- Payment has been processed in the appropriate manner and no part of the invoice has been previously passed for payment
- Where goods or services are for direct use by YPO the expenditure is within budget or covered by special financial provision
- Where applicable, the order to which the invoice relates has been marked paid
- Standing Orders for Contracts have been complied with

- 7.10 All copy invoices certified for payment must be accompanied by a special authority signed by an officer authorised to certify invoices.
- 7.11 The Managing Director may examine any invoice certified for payment and receive any additional information or explanation required before it is authorised.
- 7.12 The Managing Director will authorise a number of officers to hold Procurement Cards, which must only be used in accordance with the Payment Card Manual. The Managing Director will ensure that expenditure incurred is in accordance with YPO's Standing Orders for Contracts, Financial Procedure Rules and other relevant policies. Where relevant, VAT receipts must be obtained and submitted for taxation purposes.
- 7.13 Other than procurement cards and imprest accounts, YPO's usual method of payment will be by BACS transfer, or other financial instrument drawn by the Chief Financial Officer on the appropriate bank accounts.

## **8 CAPITAL AND INVESTMENT REQUIREMENTS**

- 8.1 The Managing Director, in consultation with the Chief Financial Officer, will determine the format of an investment requirement statement, the process and timetable for preparing and submitting completed statements for approval by the Management Committee. The statement must clearly state the purpose of the investment expenditure, how it is to be funded, and any ongoing revenue implications. Any borrowing requirement must be prepared in liaison with the Treasury Management section of the Lead Authority and be agreed with the Chief Financial Officer.
- 8.2 Once approved, the inclusion of items in the statement gives the Managing Director the authority to incur expenditure without further reference to the Management Committee.
- 8.3 Where expenditure is incurred on investment projects without first being included in an approved investment requirement statement, in accordance with the Scheme of Delegation, the Managing Director will consult the Chief Financial Officer, and the Chairman, or Vice-Chairman of the Management Committee, and present a report at the next meeting of the Management Committee. This also applies to overspends on approved statements, in excess of the limit set out in Appendix 2.
- 8.4 The Managing Director will report both physical and financial progress of investments to the Management Committee at least annually and as part of the annual business planning update.

## Financial Procedure Rules

- 8.5 Investment financing must be considered at the inception of the business case, as well as whether it is revenue or capital expenditure. Capital investment should be made in accordance with the Capital Policy.

### **9 RESERVES**

- 9.1 The Managing Director, in consultation with the Chief Financial Officer, will determine the format of a reserve creation statement, the process and timetable for preparing and submitting completed statements for approval by the Management Committee. The statement must clearly state the purpose of the reserve.
- 9.2 Once approved, the inclusion of items in the statement gives the Managing Director the authority to incur expenditure without further reference to the Management Committee.
- 9.3 Any changes to the use of reserves is subject to consultation by the Managing Director, as specified in the Managing Director's Scheme of Delegation, with the Chairman and / or Vice-Chairman of the Management Committee and the Chief Financial Officer and a report to the Management Committee at the earliest opportunity.

### **10 ACCOUNTING, TAXATION AND STATISTICAL RETURNS**

- 10.1 The Managing Director, in consultation with the Chief Financial Officer will approve all financial records and systems, and changes to them, in accordance with relevant legislation and best practice. The Managing Director is responsible for ensuring that all such records and systems are maintained.
- 10.2 The Managing Director will ensure accounting duties are allocated amongst finance staff to ensure separation of duties between handling cash and disbursements, accounting for them, and checking balances.
- 10.3 Financial records must be disposed of in accordance with retention and disposal regulations as approved by the Managing Director.
- 10.4 The Managing Director is responsible for all matters relating to taxation, except for pay related taxation which is the responsibility of the Chief Financial Officer.
- 10.5 The Managing Director, in consultation with the Chief Financial Officer and the External Auditor (where necessary) is responsible for the publication of financial and statistical data. The Chief Financial Officer has the authority to request such financial and statistical information as they deem necessary to fulfil their statutory responsibilities.
- 10.6 The Managing Director is responsible for all procedures relating to HM Revenue and Customs matters and Value Added Tax (VAT) and for ensuring that relevant staff are provided with up to date guidance on these matters.

## Financial Procedure Rules

### 11 INTERNAL AUDIT

11.1 The Chief Financial Officer will carry out an independent and continuous appraisal of accounting, financial and other processes, in accordance with relevant standards, with the following objectives:

- To ensure the establishment of soundly based controls within each area of YPO
- To review and, where necessary, make recommendations for the improvement of systems, controls and procedures to ensure they are efficient and effective, remain adequate in changing circumstances; and are adhered to in practice
- To assist in protecting YPO's assets and interests by carrying out a continuous examination of activities in order to test the arrangements in place to detect fraud, misappropriation, irregular expenditure, and losses due to waste, extravagance and maladministration
- To monitor compliance with YPO's Anti-Fraud and Bribery Policy
- To monitor the use of resources in the pursuit of YPO's defined objectives
- To ensure the suitability and reliability of financial and other management information used by YPO
- To report to, and advise, the Managing Director of appropriate actions to be taken in relation to Financial Procedure Rules and Standing Orders for Contracts

11.2 The Chief Financial Officer, or their authorised representative, has the authority to:

- Enter YPO premises or land at all reasonable times
- Have access on demand to all records, documents and correspondence relating to YPO's financial and other transactions
- Require and receive such explanations as are necessary concerning any matter under investigation
- Require any employee of YPO to produce stocks or assets under their control or to provide information and explanation of matters within their responsibility.

11.3 The Managing Director will ensure that any matter that involves or is thought to involve irregularities concerning YPO's finances, assets or stocks, or in the exercise of YPO's functions, is dealt with in accordance with the Anti-Fraud and Bribery Policy. This includes, but is not limited to, notifying the Chief Financial Officer and Internal Audit of all steps planned and taken and taking any steps required by them.

### 12 EXTERNAL AUDIT

12.1 The Managing Director will ensure that External Audit is given access at all reasonable times to YPO premises, personnel, documents, and assets that they consider necessary for the purpose of their work.

12.2 The Managing Director will ensure that there is effective liaison between External Audit and Internal Audit.

12.3 The Managing Director and Chief Financial Officer will be the first point of contact with External Audit as they undertake the annual audit programme.

**Financial Procedure Rules**

**13 BANKING ARRANGEMENTS**

- 13.1 The Chief Financial Officer will make arrangements for the opening and operation of YPO's bank accounts and will be responsible for the negotiation of banking terms.
- 13.2 The Managing Director will control the ordering and issuing of cheques. On issue they will bear the printed facsimile signature of the Chief Financial Officer or be signed by the Managing Director or an officer authorised by them.
- 13.3 The Managing Director will ensure that all treasury management transactions are undertaken in accordance with best practice and the Chief Financial Officer's requirements. The Head of Finance will periodically review such transactions.

**14 INSURANCE**

- 14.1 The Managing Director will ensure that YPO has proper insurance cover to meet its needs.
- 14.2 The Managing Director will effect all insurance cover and negotiate settlement of all claims against the insurance cover in consultation with the Chief Financial Officer.
- 14.3 Senior Managers will notify the Head of Finance in writing of any changes to circumstances that might affect insurance arrangements including any new risks, properties, assets or vehicles that it may be appropriate to insure.
- 14.4 Senior Managers will notify the Head of Finance in writing of any loss, liability or damage that may lead to a claim against YPO, and the Police where it is appropriate to do so.
- 14.5 The Managing Director will instruct all employees, and anyone else covered by YPO's insurance arrangements, not to admit liability or make an offer to pay compensation.
- 14.6 The Managing Director will ensure that all appropriate employees are covered by fidelity guarantee insurance.
- 14.7 The Chief Financial Officer will review YPO's insurance arrangements at least annually or more frequently if they consider necessary.
- 14.8 Senior Managers will consult the Chief Financial Officer on the terms of any indemnity they are requested or required to provide.

**15 RISK MANAGEMENT**

- 15.1 The Managing Director is responsible for ensuring that YPO has a Risk Management Framework, Policy and Strategy approved by the Management Committee, and that strategic and operational risks (including financial risks) are identified, evaluated and controlled in accordance with this Framework.

**Financial Procedure Rules**

**16 CREDIT RISK AND CREDIT CONTROL**

- 16.1 The Head of Finance is responsible for managing credit control and credit risk within YPO.
- 16.2 All new customers will be required to complete an application for which will help to establish their status as a legal entity.
- 16.3 From the application form, details will be obtained to perform a check with a credit reference agency to confirm the identity of the customer.
- 16.4 A credit limit will be set in accordance with the advice of the credit reference agency. In the event that this advice is a nil credit limit, an account will be opened only to facilitate the processing of orders paid by cash in advance. Should the customer place an order above the credit limit, a Director or Member of the Senior Leadership Team will decide whether or not the order should be processed.

**17 UNOFFICIAL FUNDS**

- 17.1 Any proposal to set up or hold unofficial funds (ie those that do not relate to YPO's business activities) must be agreed in advance by a member of the YPO Board.
- 17.2 A separate bank account must be held for each unofficial fund and all transactions must be kept separate from YPO business transactions.
- 17.3 Each fund must be managed by a nominated member of the Senior Leadership Team who is responsible for ensuring that the fund is subject to third party audit and that accounts are prepared annually or in accordance with the relevant governing statutory instrument.
- 17.4 The YPO Board will have immediate access to all unofficial fund records and the fund owner must inform the Board immediately of any known or suspected irregularities.

**18 GENERAL**

- 18.1 The Managing Director will produce a Performance Report, in a format agreed with the Chief Financial Officer and the Management Committee, and present it to the Management Committee on a quarterly basis, and on request to the Chief Financial Officer and YPO Members.
- 18.2 All reports to the Management Committee and sub-committees must include a section headed 'Financial Implications'. Report authors must complete this section with detailed information on the financial and other resource implications of the actions proposed in the report, in consultation with the Head of Finance before the report is finalised. The Head of Finance and, where appropriate, the Managing Director, will be given the opportunity to add their comments to the report.

**Financial Procedure Rules**

- 18.3 The Managing Director and Members of the YPO Board will provide annual assurance statements regarding YPO's governance arrangements for the preparation of the Annual Governance Statement.

**19 INTERPRETATION**

- 19.1 The Management Committee, in consultation with the Lead Authority's Monitoring Officer and Chief Financial Officer, will settle any differences that arise from the interpretation of these Financial Procedure Rules.

## Financial Procedure Rules

### Appendix 1 Definitions for Financial Procedure Rule and Standing Orders for Contracts

**“Organisation”** means the consortium of local authorities known as Yorkshire Purchasing Organisation (YPO)

**“Managing Director”** means the current Managing Director of the Yorkshire Purchasing Organisation or an officer designated by him/her.

**“Monitoring Officer”** means an officer designated by Lead Authority responsible to the Management Committee of the Organisation who will secure legal and administrative services for the Organisation (other than the administrative services performed by the Managing Director or other officer designated by him/her)

**“Chief Financial Officer”** means the current Director of Finance of the Lead Authority responsible to the Management Committee of the Organisation for providing financial advice to the Organisation (other than the financial services performed by the Managing Director or other officers designated by him/her). In fulfilling this role the Chief Financial Officer will be able to rely on the Managing Director of the Organisation to keep him/her informed on all aspects of his/her role relating to the Organisation under Section 151 of the Local Government Act 1972, including compliance with the rules forming the Financial Procedure Rules and Standing Orders relating to Contracts of the Organisation.

**“Management Committee”** means the elected members of the Organisation constituting its Management Committee and any of its Sub Committees.

**“Lead Authority”** is the member authority chosen by the Management Committee to provide support services to the Organisation.

**“Chairperson”** means the current Chairperson of the Management Committee.

**“Framework”** means an agreement between one or more contracting authorities and one or more economic operators, the purpose of which is to establish the terms governing contracts to be awarded during a given period, in particular with regard to price, quality and where appropriate the quantity envisaged.

**“Contract”** means an agreement made by the Organisation with another party creating a legal relationship enforceable by law.

**“Goods”** includes all supplies and materials that the Organisation purchases or obtains.

**“Services”** includes all services, which the Organisation purchases or obtains including but not limited to advice, consultancy, agency staff, third party logistics etc.

**“Works”** includes the construction of new buildings and works, restoring and common repairs.

**“Whole Life Costs”** means the whole costs of the provision of the works, goods and/or services **from inception to disposal** including any annual maintenance costs or annual fees (i.e. software licences)

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

Financial Procedure Rules

**Appendix 2 Authorisation Limits for Finance Procedure Rules and Standing Orders for Contracts**

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

Standing Orders for Contracts

*Section 21.2*

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

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

Financial Procedure Rules

Section 4.8 Limit on transfers between heads of expenditure £50,000

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

Section 6.6 Limit for writing off stock  
Up to £500 Asset Management Supervisor  
£500 - £5000 Head of Finance or Financial Controller

Section 6.12 Limit on the sale of Assets not bought for resale £10,000

Section 8.3 Limit on overspends on investment projects 10% or £50,000 whichever is the lesser

Section 7.5 Limit on cash payments from imprest accounts £100

**This page is intentionally left blank**



**YPO**  
**EXECUTIVE SUB COMMITTEE**  
**TO BE HELD ON**  
**9<sup>TH</sup> MARCH 2018**

**TITLE: EARMARKED INTERNAL INVESTMENT RESERVES 2017 AND 2018**

**REPORT OF: FINANCIAL CONTROLLER**

---

## **1. PURPOSE OF REPORT**

1.1 To summarise the closing Internal Investment Reserves balance as at 31<sup>st</sup> December 2017. It will analyse any over / under spends against funding and explain the reason for this. It will also breakdown how the closing balance will be used, whether this is already committed against existing funds or to be used for future investment needs.

## **2. BACKGROUND INFORMATION**

2.1 Internal investment needs of £0.505m for 2017 were signed off at Management Committee in November 2016. This, along with £1.720m committed from 2016, created an earmarked reserves position of £2.225m as at 1<sup>st</sup> January 2017. A breakdown of the reserves position as at 1<sup>st</sup> January 2017 is included in Appendix A.

2.2 In November 2017 a further £0.392m was agreed at Management committee for 2018 investment needs to be funded through the earmarked reserves, this related to the modernisation of our fleet £0.340m and facilities management and improvements of £0.052m. The planned funding of these investment needs will be from the expected surplus within the 2018 revenue budget.

2.3 Throughout the year regular discussions are held with those responsible for each reserve to determine the value and timing of forecasted spend and what will be available to re-invest into the business.

## **3. 2017 RESERVES SUMMARY**

3.1 Throughout 2017 £0.529m of revenue and capital expenditure was spent against the earmarked reserves, this left a closing balance as at 31<sup>st</sup> December 2017 of £1.696m.

3.2 The full £1.696m has been committed in 2018, the majority of this being the funding of the ongoing ERP project and the acquisition of new vehicles which has been delayed from an initial expected delivery date of July 2017.

3.3 A breakdown of the 2017 reserve expenditure is included as part of Appendix A to this paper.

#### **4. EARMARKED RESERVES SUMMARY 2018**

- 4.1 As mentioned, £0.392m has been signed off by Management Committee for 2018 investment needs.
- 4.2 The £0.392m combined with £1.696m committed from existing funds presents a total of £2.088m in the earmarked reserves as at 1<sup>st</sup> January 2018.
- 4.4 A summary of the proposed reserves as at 1<sup>st</sup> January 2018 is included as part of appendix A to this paper.

#### **5. RECOMMENDATION**

- 5.1 It is recommended that the committee approve the proposed reserves position as at 1<sup>st</sup> January 2018. This allows the business to continue to invest in current projects, including the implementation of ERP, whilst also ensuring we continue to look at developing efficiencies across the organisation's operations through further investment in our facilities and fleet.

#### **6. FINANCIAL IMPLICATIONS**

- 6.1 As demonstrated in the report.

#### **7. LEGAL IMPLICATIONS**

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

#### **8. EQUALITY IMPLICATIONS / EQUALITY OF OPPORTUNITY IMPLICATIONS**

- 8.1 This proposal will have no effect on equality and diversity.

#### **9. RISK ASSESSMENT**

- 9.1 The risk is that should the business not continue to invest in business cases such as ERP and fleet modernisation we will struggle to evolve in line with the market that we operate in and be unable to create operating efficiencies in the future.

#### **SERVICE DIRECTOR: PAUL SMITH, EXECUTIVE DIRECTOR**

YPO

41 Industrial Park

Wakefield

WF2 0XE

Telephone Number: 01924 834969

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

#### **CONTACT OFFICERS: MATTHEW HIRST, FINANCIAL CONTROLLER**

YPO,

41 Industrial Park,

Wakefield

WF2 0XE

Telephone No: 01924 834964

E-mail address: matthew.hirst@ypo.co.uk

#### **APPENDIX:**

*Appendix 1 – Earmarked Reserves position as at 1<sup>st</sup> January 2017 & 1<sup>st</sup> January 2018.*

## Appendix 1

Earmarked Internal Investment Reserves  
as at 1st January 2017 and 1st January 2018

Reserve Fund Description	£'s						Comments
	Opening Balance 1st January 2017	2017 Revenue Expenditure	2017 Capital Expenditure	Balance as at 31st December 2017	Approved 2018 Investment	Opening Balance 1st January 2018	
Invest for Growth	80,000	-29,000	0	51,000	0	51,000	Remaining balance to fund the implementation of I-trent system and continued work on social values and similar projects.
Marketing	1,000	0	0	1,000	0	1,000	Amount carried forward to fund product safety work
Facilities	690,845	-85,802	-41,468	563,574	392,000	955,574	Balance to fund new vehicles planned for 2017 & 2018 and outstanding balance on the installation of dock levellers
Business Change & IT	1,453,276	-373,197	0	1,080,079	0	1,080,079	Remaining balance to fund ERP project and infrastructure upgrades
<b>Total</b>	<b>2,225,121</b>	<b>-488,000</b>	<b>-41,468</b>	<b>1,695,653</b>	<b>392,000</b>	<b>2,087,653</b>	

**This page is intentionally left blank**

~~Refer to Part 1 of Schedule 12A of the Information Privacy Act 1972.~~

Document is Restricted

**This page is intentionally left blank**

Part 1 of Schedule 1A of the Information Act 1972.

Document is Restricted

**This page is intentionally left blank**

~~Refer to Part 1 of Schedule 12A of the Information Privacy Act 1972.~~

Document is Restricted

**This page is intentionally left blank**

~~Refer to Part 1 of Schedule 12A of the Land Information Management Act 1972.~~

Document is Restricted

**This page is intentionally left blank**