

Your Ref.
Our Ref

Joanne Roney OBE

Please Reply To **Kayley Sykes**
Telephone No (01924) 834912
Email kayley.sykes@ypo.co.uk
Date 14 April 2016

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

To: Members of the YPO Joint Committee Audit Sub-Committee

Dear Member

YPO AUDIT SUB-COMMITTEE – FRIDAY, 22 APRIL 2016

It is with pleasure that I write to invite you to attend a meeting of the YPO Joint Committee Audit Sub-Committee which is to be held at **10:30 am on Friday, 22 April 2016 at the YPO HQ, 41 Industrial Park, Wakefield** to consider the items set out in the agenda attached.

Would Members please note that a training session will take place before the meeting at 10.00am entitled Risk Management.

Yours sincerely



Joanne Roney OBE
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 AUDIT SUB-COMMITTEE -
Friday, 22 April 2016**

AGENDA

1. Chair's Introduction and Welcome.
2. Acceptance of Apologies for Absence.
3. Members' Declaration of Interest.
4. To approve, as a correct record, the Minutes of the meeting held on 26 February 2016. (Pages 1 - 4)
5. To note any items which the Chairman has agreed to add to the agenda on the grounds of urgency.
6. External Audit Report. (Pages 5 - 25)
7. Audited Statement of Accounts. (Pages 27 - 66)
8. Audit Sub-Committee Work Programme. (Pages 67 - 77)
9. Governance Review. (Pages 79 - 93)
10. Internal Audit Progress. (Pages 95 - 101)
11. IT Programme Update. (Pages 103 - 105)
12. Date and Time of Next Meeting.

The next meeting of the YPO Audit Sub-Committee will be determined at the AGM but is proposed for 4 November 2016 at 10.30am.

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YORKSHIRE PURCHASING ORGANISATION AUDIT SUB-COMMITTEE

Friday 26th February 2016

Present: The Chair: Councillor Johnson (Wakefield MDC), Councillor Pillai (Calderdale), Councillor O'Neill (Kirklees), County Councillor Trotter (North Yorkshire CC), Councillor Walker (Wigan MBC)

16.	CHAIR'S INTRODUCTION & WELCOME
	The Chair, Councillor Johnson, welcomed all parties to the meeting.
17.	ACCEPTANCE OF APOLOGIES FOR ABSENCE
	Apologies for absence submitted prior to the meeting were accepted on behalf of Councillor Corden (Doncaster) and Councillor Waller (York).
18.	MINUTES – 6TH NOVEMBER 2015
	The minutes of the YPO Audit Sub-Committee held on 6 th November 2015 were approved as a correct record.
19.	URGENT ITEMS
	No urgent items were discussed.
20.	ANNUAL GOVERNANCE STATEMENT
	Consideration was given to a report of the Executive Director which provided Members with the details of the Annual Governance Statement. The Managing Director provided Members with further detail in relation to the assessment scoring for the Board Assurance Statement 2015. Resolved - (1) That the Annual Governance Statement be noted and approved.
21.	PRE – AUDIT STATEMENT OF ACCOUNTS
	Consideration was given to the report of the Head of Finance which provided Members with the details of the Pre-Audit Statement of Accounts 2015, attached as Appendix 1 and to inform Members of the public notice of the commencement of the audit and public inspection period. Members were informed that during 2015 a VAT refund of £0.912m was received against the over declaration of sales on VAT on Phonics matched funding initiative. The report will be submitted to the next meeting of the YPO Management

	<p>Committee for the information to be noted by members.</p> <p>Resolved – (1) That the Pre Audit Statement of Accounts 2015 are agreed to be submitted to External Audit and the public inspection notice to be issued.</p>
22.	IT PROGRAMME UPDATE
	<p>Consideration was given to the report of the Head of Business Change & IT which provided Members with an update on the current project dossier as of February 2016.</p> <p>Members were informed that the Board review the activity and progress on the IT Programme on a monthly basis at the Programme Board Meeting.</p> <p>Resolved – (1) That the report be noted.</p> <p>(2) That a budget position and milestone timetable would be included in all future reports on the IT Programme to Scrutiny Committee.</p>
23.	INTERNAL AUDIT ANNUAL REPORT 2015
	<p>Consideration was given to the report of the Section 151 Officer which presented the draft Annual Audit Report (see attached Appendix A) for 2015, in line with the requirements of the Internal Audit Protocol and the Public Sector Internal Audit Standards (PSIAS).</p> <p>An Internal Audit Progress report covering work undertaken between November 2015 and January 2016 (see attached Appendix B).</p> <p>To receive the following Internal Audit Opinion (extract from YPO Annual Governance Statement [AGS] 2015):</p> <p>“From the work undertaken by Internal Audit during 2015, key controls were found to be adequate to manage associated risks to the required level, with no significant errors, losses or omissions identified. Senior Management has continued to strengthen overall governance arrangements throughout the year, including implementing audit recommendations to improve any areas of control weakness identified from individual Internal Audit reviews. Consequently there are no new key control improvements arising from Internal Audit work that require inclusion in Section 5 of the 2015 AGS.”</p> <p>Resolved – (1) That the Annual Audit report, as detailed in Appendix A, be recommended to the Management Committee for formal acceptance.</p> <p>(2) That the Internal Audit Progress report, as detailed in Appendix B, be endorsed.</p>
24.	INTERNAL AUDIT PLAN 2016
	<p>Consideration was given to the report of the S151 Officer which provided</p>

	<p>Members with the Draft Internal Audit Plan 2016.</p> <p>The Plan will be submitted to the next meeting of the YPO Management Committee for formal approval in line with agreed protocols.</p> <p>Resolved – (1) That the draft Annual Audit Plan 2016 be noted.</p> <p>(2) That the draft Annual Audit Plan 2016 be submitted to YPO Management Committee for formal approval.</p>
25.	LOCAL AUDIT AND ACCOUNTABILITY ACT 2014 JOINT COMMITTEE
	<p>Consideration was given to the report of the Section 151 Officer which provided members with information relating to the changes to the Local Audit and Accountability Act 2014 and the implications for joint committees.</p> <p>The Section 151 Officer of the Lead Authority Wakefield Council also has the Section 151 responsibilities for YPO. The Section 151 Officer strongly recommends that the YPO financial statements continue to be prepared in accordance with the CIPFA Code of Practice. This will provide stakeholders with the confidence that public money has been properly accounted for and that the organisation’s financial standing is on a secure footing.</p> <p>The report detailed two options for Members:</p> <p>Option 1 - Members agree that YPO continues to prepare, each year, a statement of accounts in accordance with the CIPFA Code of Practice that is subject to external audit.</p> <p>Option 2 – Members put forward alternative proposals that would provide appropriate assurances acceptable to the Section 151 Officer and which would enable the Section 151 Officer to carry out their statutory responsibilities.</p> <p>The report will be submitted to the next meeting of the YPO Management Committee for formal agreement in line with agreed protocols.</p> <p>Resolved – (1) That Members note the changes to the Local Audit and Accountability Act 2014 and the implications for joint committees.</p> <p>(2) That the report and the recommendation of option 1 be recommended to Management Committee for formal acceptance.</p>
26.	EXCLUSION OF THE PUBLIC & PRESS
	<p>Resolved – That the public and press be excluded from the meeting during consideration of agenda items 13 and 14 on the grounds that they are likely to involve the disclosure of exempt information as described in Part 1 of Schedule 12A to the Local Government Act 1972, as amended.</p>
27.	INTERNAL AUDIT ACTION UPDATE

	<p>Consideration was given to a report which provided an update as to the progress made towards actions resulting from internal audits completed at YPO as part of the Annual Audit Plan by Wakefield Council's Internal Audit.</p> <p>Resolved – (1) That the progress made in implementing internal audit actions, be noted.</p>
28.	RISK REGISTER
	<p>A report of the Executive Director provided details of the Strategic Risk Register, Business Planning Risk Register 2016, Business Continuity Planning Risk Assessment, Anti-Fraud Risk Assessment and Bribery Risk Assessment for YPO.</p> <p>Resolved – (1) That the risk registers for the Organisation be noted.</p>
29.	DATE AND TIME OF NEXT MEETING
	<p>Resolved – (1) That the next meeting of the YPO Audit Sub-Committee will be held on 22nd April 2016 at 10.30am, at YPO Headquarters.</p>



cutting through complexity

Report to those charged with governance (ISA 260) 2015

Yorkshire Purchasing Organisation

April 2016

The contacts at KPMG in connection with this report are:

Rashpal Khangura

Director

KPMG LLP (UK)

Tel: 0113 231 3396

Rashpal.khangura@kpmg.co.uk

Lizzie Wharton

Manager

KPMG LLP (UK)

Tel: 0113 231 3538

Elizabeth.wharton@kpmg.co.uk

Matthew Moore

Assistant Manager

KPMG LLP (UK)

Tel: 0013 231 3669

matthew.moore@kpmg.co.uk

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This report is addressed to the Organisation and has been prepared for the sole use of the Organisation. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website (www.psaa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Rashpal Khangura, the engagement lead to the Organisation, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andy Sayers (on 02076948981, or by email to andy.sayers@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

This document summarises:

- the key issues identified during our audit of the financial statements for the year ended 31 December 2015 for the Organisation; and
- our assessment of the Organisation's arrangements to secure value for money.

Scope of this report

This report summarises the key findings arising from:

- our audit work at Yorkshire Purchasing Organisation ('the Organisation') in relation to the Organisation's 2015 financial statements; and
- the work to support our 2015 conclusion on the Organisation's arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion').

Financial statements

Our *External Audit Plan 2015*, presented to you in October 2015, set out the four stages of our financial statements audit process.



This report focuses on the third stage of the process: substantive procedures. Our on site work for this took place during March 2015.

It also includes any findings in respect of our control evaluation which we have identified.

We are now in the final phase of the audit, the completion stage. Some aspects of this stage are also discharged through this report.

VFM conclusion

Our *External Audit Plan 2015* explained our risk-based approach to VFM work. We have now completed the work to support our 2015 VFM conclusion. This included:

- assessing the potential VFM risks and identifying the residual audit risks for our VFM conclusion;
- considering the results of any relevant work by the Organisation and other inspectorates and review agencies in relation to these risk areas.

Structure of this report

This report is structured as follows:

- Section 2 summarises the headline messages.
- Section 3 sets out our key findings from our audit work in relation to the 2015 financial statements of the Organisation.
- Section 4 outlines our key findings from our work on the VFM conclusion.

We have reviewed your progress in implementing prior recommendations and this is detailed in Appendix 1.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

This table summarises the headline messages for the Organisation. The remainder of this report provides further details on each area.

Proposed audit opinion	We anticipate issuing an unqualified audit opinion on the Organisation's financial statements by 30 April 2016. We will also report that your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE in June 2007.
Audit adjustments	<p>Our audit has identified 2 audit adjustments with a total value of £435k. The impact of these adjustments is to:</p> <ul style="list-style-type: none"> ■ Increase the balance of Trade Creditors and Trade Debtors by £435k; ■ has no impact on the profit for the year; and ■ has no impact on the net worth of the Organisation as at 31 December 2015. <p>We have included a full list of significant audit adjustments at Appendix 2. All of these were adjusted by the Organisation</p> <p>We have reviewed your progress in implementing prior recommendations and this is detailed in Appendix 1.</p>
Key financial statements audit risks	We review risks to the financial statements on an ongoing basis. We identified no significant risks specific to the Organisation during 2015 with respect to the financial statements.
Accounts production and audit process	<p>We are pleased to report that we have noted an improvement in the quality of the accounts and the supporting working papers. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales.</p> <p>The Organisation has implemented the majority of the recommendations in our <i>ISA 260 Report 2014</i> relating to the financial statements.</p> <p>The Organisation has good processes in place for the production of the accounts and good quality supporting working papers. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales.</p>
Completion	<p>At the date of this report our audit of the financial statements is complete.</p> <p>Before we can issue our opinion we require a signed management representation letter.</p> <p>We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Organisation's financial statements.</p>
VFM conclusion and risk areas	<p>We have not identified any VFM risks in our External audit plan 2015 issued in October 2015.</p> <p>We have concluded that the Organisation has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We therefore anticipate issuing an unqualified VFM conclusion by 30 April 2016.</p>

We have not identified any issues in the course of the audit that are considered to be material.

Our audit has identified two audit adjustments.

The impact of these adjustments is to:

- Increase the balance on current assets and current liabilities account as at 31 December 2015 by £435 thousand;
- Has no impact on the deficit on the provision of service for the year; and
- Has no impact on the net worth of the Organisation as at 31 December 2015.

Proposed audit opinion

We anticipate issuing an unqualified audit opinion on the Organisation's financial statements following approval of the Statement of Accounts by the Audit Sub-Committee on 22 April.

Audit differences

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

The final materiality (see Appendix 4 for more information on materiality) level for this year's audit was set at £2 million. Audit differences below £100,000 are not considered significant.

We did not identify any material misstatements.

Our audit identified one significant audit differences, which we set out in Appendix 3. It is our understanding that these will be adjusted in the final version of the financial statements.

The tables on the right illustrate the total impact of audit differences on the Organisation's movements on the General Fund and other reserves for the year and balance sheet as at 31 December 2015.

There has been no impact on the General Fund and other reserves as a result of audit adjustments as at 31 December 2015.

In addition, we identified a small number of presentational adjustments required to ensure that the accounts are compliant with the *Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 ('the Code')*. We understand that the Organisation will be addressing these where significant.

Movements on the General Fund 2015			
£000's	Pre-audit	Post-audit	Ref (App.3)
deficit on the provision of service	(701)	(701)	
Adjustments between accounting basis & funding basis under Regulations	3,440	3,440	
Increase in Overall reserves	2,739	2,739	

Balance Sheet as at 31 March 2015			
£000's	Pre-audit	Post-audit	Ref (App.3)
Property, plant and equipment	10,272	10,272	
Other long term assets	69	69	
Current assets	41,172	41,607	1+2
Current liabilities	(7,921)	(8,356)	1+2
Long term liabilities	(16,827)	(16,827)	
Net worth	26,765	26,765	
General Fund	30,302	30,302	
Other usable reserves	2,388	2,388	
Unusable reserves	(5,925)	(5,925)	
Total reserves	26,765	26,765	

Financial Statements (continued) Proposed opinion and audit differences

We anticipate issuing an unqualified audit opinion in relation to the Organisation's financial statements by 30 April 2016.

The wording of your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE in June 2007

Annual Governance Statement

We have reviewed the Annual Governance Statement and confirmed that:

- it complies with *Delivering Good Governance in Local Government: A Framework* published by CIPFA/SOLACE; and
- it is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.



We have worked with the Organisation throughout the year to discuss significant risks and key areas of audit focus

This section sets out our detailed findings on those risks

In our *External Audit Plan 2015* presented to you in October 2015, we confirmed that we had not identified any additional significant risks, other than the two professional standards require us to consider, affecting the Organisation’s 2015 financial statements. We have now completed our work and can confirm that we have not identified any new significant risks..

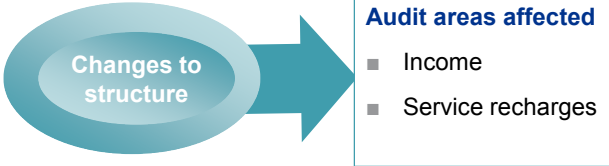
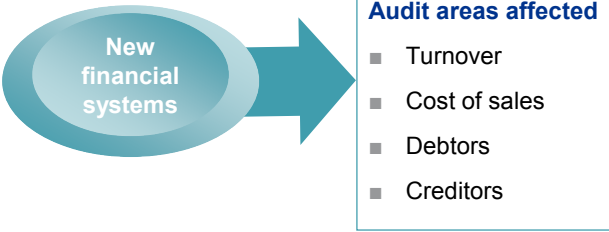
We reported that we would consider two risk areas that are specifically required by professional standards and report our findings to you. These risk areas were Management override of controls and the Fraud risk of revenue recognition.

The table below sets out the outcome of our audit procedures and assessment on these risk areas.

Areas of significant risk	Summary of findings
 <p>Management override of controls</p> <p>Audit areas affected</p> <ul style="list-style-type: none"> All areas 	<p>Our audit methodology incorporates the risk of management override as a default significant risk. Management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We have not identified any specific additional risks of management override relating to this audit.</p> <p>In line with our methodology, we carried out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.</p> <p>There are no matters arising from this work that we need to bring to your attention.</p>
 <p>Fraud risk of revenue recognition</p> <p>Audit areas affected</p> <ul style="list-style-type: none"> Income 	<p>Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.</p> <p>We have carried out sufficient testing in the area of Income to satisfy ourselves over revenue recognition.</p>

In our *External Audit Plan 2015*, presented to you in October 2015, we identified 2 areas of audit focus. These are not considered as significant risks but areas of importance where we would carry out some substantive audit procedures to ensure there is no risk of material misstatement.

We have now completed our testing. The table sets out our detailed findings for each such area of audit focus.

Areas of audit focus	Issue	Findings
	<p>Risk</p> <p>The 13 full member 'owners' of YPO established a new trading company in 2014 to enable trading with non-public sector bodies and 2015 was the first full year of operation. Although not directly related to YPO, the company will purchase supplies and services from YPO.</p> <p>In carrying out the audit of YPOs accounts we will need to obtain assurance that there are robust and enforced service level agreements in place to ensure that the trading and recharging of costs between YPO and the company are carried out on a commercial basis.</p>	<p>The review of the intercompany trading between YPO and YPO Supplies Ltd has identified that the all sales have been made in line with the SLA, and that recharges of overheads are in line with the agreed basis of recharge. No issues to report.</p>
	<p>Risk</p> <p>YPO has introduced a new sales ledger and a new purchase ledger during the course of 2015.</p> <p>We need to understand the operation of the new systems and assess the success of the implementation in order to evaluate this risk and the impact on the financial statements.</p>	<p>Discussions with the key officers including the IT Manager identified that there had not been a new purchase ledger and sales ledger introduced in 2015. In fact they had updated the front end functionality of the existing sales and purchase ledgers. The financial transaction flows were identical in 2015 that were in place in 2014 and that the updates did not include data migration or changes, and therefore there is no risk of material misstatement on the financial statements. No further work was carried out on this risk</p>



Financial Statements (continued) Accounts production and audit process

We have noted an improvement in the quality of the accounts and the supporting working papers.

Officers dealt efficiently with audit queries and the audit process could be completed within the planned timescales.

The Organisation has implemented the majority of the recommendations in our *ISA 260 Report 2014*.

Accounts production and audit process

ISA 260 requires us to communicate to you our views about the significant qualitative aspects of the Organisation's accounting practices and financial reporting. We also assessed the Organisation's process for preparing the accounts and its support for an efficient audit.

We considered the following criteria:

Element	Commentary
Accounting practices and financial reporting	<p>YPO has consolidated its financial reporting performance in 2015, the finance team have performed well preparing a sound set of financial statements without the additional support that was provided by Wakefield MBC in 2014.</p> <p>The number of issues identified in previous years around cut-off have been dealt with appropriately and no significant weaknesses were identified.</p> <p>We consider that accounting practices are appropriate.</p>
Completeness of draft accounts	We received a complete set of draft accounts on 7 March 2016.
Quality of supporting working papers	<p>Our <i>Accounts Audit Protocol</i>, which we issued on 17 February 2016 and discussed with the Financial Controller, set out our working paper requirements for the audit.</p> <p>The quality of working papers provided met the standards specified in our <i>Accounts Audit Protocol</i>.</p>
Response to audit queries	Officers resolved audit queries in a reasonable time.

Prior year recommendations

As part of our audit we have specifically followed up the Organisation's progress in addressing the recommendations in last years ISA 260 report.

The Organisation has implemented the majority of the recommendations in our *ISA 260 Report 2014*. The outstanding recommendations are linked to the planned IT developments later in 2016

Appendix 1 provides further details.

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

Before we can issue our opinion we require a signed management representation letter.

Once we have finalised our opinions and conclusions we will prepare our *Annual Audit Letter* and close our audit.

Declaration of independence and objectivity

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

In relation to the audit of the financial statements of Yorkshire Purchasing Organisation for the year ending 31 December 2015, we confirm that there were no relationships between KPMG LLP and Yorkshire Purchasing Organisation, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 4 in accordance with ISA 260.

Management representations

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

Other matters

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

- significant difficulties encountered during the audit;
- significant matters arising from the audit that were discussed, or subject to correspondence with management;

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

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report.

Our VFM conclusion considers how the Authority secures financial resilience and challenges how it secures economy, efficiency and effectiveness.

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Background

In meeting our statutory responsibilities relating to economy, efficiency and effectiveness, the Audit Commission's Code of Audit Practice requires us to:

- plan our work based on consideration of the significant risks of giving a wrong conclusion (audit risk); and
- carry out only as much work as is appropriate to enable us to give a safe VFM conclusion.

The key elements of the VFM audit approach are summarised in the diagram below.

To provide stability for auditors and audited bodies, the Audit Commission has kept the VFM audit methodology unchanged from last year so, for 2014/15, the scope of work on value for money at the Authority is limited to:

- reviewing the Annual Governance Statement (AGS);
- reviewing the results of the work of other relevant regulatory bodies or inspectorates, to consider whether there is any impact on our responsibilities; and
- other risk-based work as appropriate.

Work completed

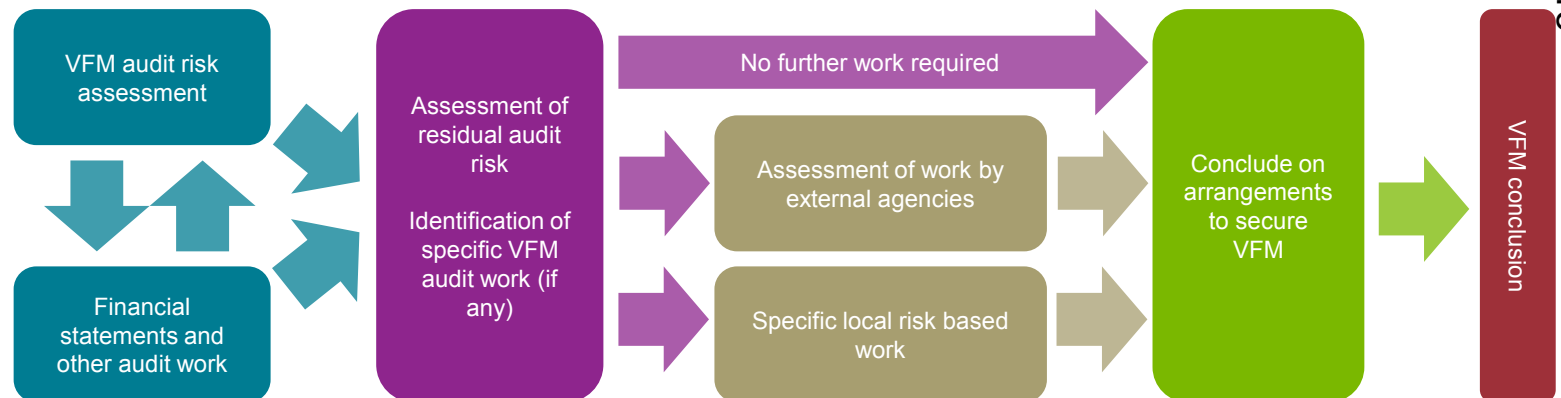
We have reviewed your AGS and have no issues to raise.

No issues have been raised by other relevant regulatory bodies or inspectorates that would impact on our VFM conclusion.

The following page includes further details of our VFM risk assessment.

Conclusion

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



We have not identified any risk to VFM.

We are satisfied that external or internal scrutiny provides sufficient assurance that the Organisation's current arrangements in relation to these areas is adequate.

Work completed

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

- reviewed the AGS;
- the results of the work of other relevant regulatory bodies or inspectorates, to consider whether there is any impact on our responsibilities.
- other risk-based work as appropriate.

Key findings

During our risk assessment processes we have reviewed the medium term financial strategy due to the continued pressures within the public sector as there is a potential risk to the turnover of the Organisation. We have reviewed the 2015-17 three year strategy and assessed the assumptions made in the plans, alongside the recent history the Organisation has for meeting its plans.

We concluded that given there is no significant risks and appropriate plans are in place, no further work is required.

Appendix 1: Follow up of prior year recommendations

The Organisation has not implemented all of the recommendations in our ISA 260 Report 2014.

We re-iterate the importance of the outstanding recommendations and recommend that these are implemented in line with the agreed timescales.

This appendix summarises the progress made to implement the recommendations identified in our ISA 260 Report 2014 and re-iterates any recommendations still outstanding.

Number of recommendations that were:	
Included in original reports	11
Implemented in year or superseded	9
Remain outstanding (re-iterated below)	2

No.	Risk	Issue and recommendation	Officer responsible and due date	Status as at April 2016
1	3	<p>In understanding the IT control environment we have reviewed the Use of Electronic Equipment policy. Although it is in place, it is overdue for renewal.</p> <p>Recommendation Carry out a review of the existing policy alongside the current reviews of other IT policies within YPO.</p>	<p>Responsible Officer IT Delivery Manager</p> <p>Revised Due Date Dec 2016</p>	<p>It has been agreed that the policy does need reviewing and this will form part of an on-going organisational wide project (possible 18 months) covering all aspects of IT security and access. The team which will include HR and Risk and assurance expertise will address all IT policies throughout this process.</p> <p>More resource should become available to commit to this later in 2016.</p>

Appendix 1: Follow up of prior year recommendations

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We re-iterate the importance of the outstanding recommendations and recommend that these are implemented in line with the agreed timescales.

This appendix summarises the progress made to implement the recommendations identified in our ISA 260 Report 2013/14 and re-iterates any recommendations still outstanding.

Number of recommendations that were:	
Included in original reports	11
Implemented in year or superseded	9
Remain outstanding (re-iterated below)	2

No.	Risk	Issue and recommendation	Officer responsible and due date	Status as at April 2016
2	3	<p>No user access reviews are currently performed by staff for Navision or for Dawn/ISYS. User access reviews allow staff to verify the appropriateness of an employee's systems access rights in comparison to their job role and enables discrepancies to be identified.</p> <p>During our audit, we tested a sample of 5 users on Navision to assess whether access rights appeared appropriate in relation to job role. As a result of this testing, we identified two instances where staff in the Finance Department had been granted an access permission on Navision that Management were unaware of (the right to post journals). Although we confirmed that these staff had not used their access right in 2012, our testing nonetheless highlighted the importance of user access reviews for monitoring purposes.</p> <p>Recommendation</p> <p>Introduce user access reviews for Navision, Dawn and ISYS. These reviews should be performed on at least an annual basis.</p>	<p>Responsible Officer</p> <p>Financial Controller / IT Delivery Manager</p> <p>Revised Due Date</p> <p>February 2015/ June 2016</p>	<p>All NAV user access is reviewed by the Financial Controller. NAVISION support have been informed that only requests from the Financial Controller for user setup / permissions etc. should be accepted.</p> <p>Dawn and I-sys user access reviews will be incorporated into the overall security project as outlined in point 1</p> <p>The completion date of June 2016 is still on track for DAWN and I-sys reviews.</p>

This appendix sets out the significant audit differences identified during the audit for the year ended 31 December 2015.

We are reporting all audit differences over £100,000.

It is our understanding that all of these will be adjusted.

We are required by ISA 260 to report all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance (which in your case is the Audit Sub-Committee). We are also required to report all material misstatements that have been corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities.

Corrected audit differences

The following table sets out the significant audit differences identified by our audit of Yorkshire Purchasing Organisation’s financial statements for the year ended 31 December 2015. It is our understanding that these will be adjusted. However, we have not yet received a revised set of financial statements to confirm this.

	Issue	Accounts Caption	£000's Dr	£000's Cr
1	Included in the Detailed Debtors balances in the draft statements was a number of creditor balances and these need to be reclassified as creditors	Short Term Debtors (Balance Sheet)	210	
		Short Term Creditors (Balance Sheet)		210
2	Included in the Detailed Creditors balances in the draft statements was a number of Debtor balances and these need to be reclassified as debtors	Short Term Debtors (Balance Sheet)	225	
		Short Term Creditors (Balance Sheet)		225

The Code of Audit Practice requires us to exercise our professional judgement and act independently of both Public Sector Audit Appointments Ltd and the Organisation.

Requirements

Auditors appointed by Public Sector Audit Appointments Ltd must comply with the *Code of Audit Practice* (the 'Code') which states that:

"Auditors and their staff should exercise their professional judgement and act independently of both the Commission and the audited body. Auditors, or any firm with which an auditor is associated, should not carry out work for an audited body that does not relate directly to the discharge of auditors' functions, if it would impair the auditors' independence or might give rise to a reasonable perception that their independence could be impaired."

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Public Sector Audit Appointments Ltd *Terms of Appointment* ('Public Sector Audit Appointments Ltd Guidance') and the requirements of APB Ethical Standard 1 *Integrity, Objectivity and Independence* ('Ethical Standards').

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Public Sector Audit Appointments Ltd guidance requires appointed auditors to follow the provisions of ISA (UK &I) 260 *Communication of Audit Matters with Those Charged with Governance* that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor's objectivity and independence.

- The related safeguards that are in place.
- The total amount of fees that the auditor and the auditor's network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our *Annual Audit Letter*.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor's professional judgement, the auditor is independent and the auditor's objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor's objectivity and independence may be compromised and explaining the actions which necessarily follow from his. These matters should be discussed with the Audit Sub-Committee

Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Engagement Lead and the audit team.

General procedures to safeguard independence and objectivity

KPMG's reputation is built, in great part, upon the conduct of our professionals and their ability to deliver objective and independent advice and opinions. That integrity and objectivity underpins the work that KPMG performs and is important to the regulatory environments in which we operate. All partners and staff have an obligation to maintain the relevant level of required independence and to identify and evaluate circumstances and relationships that may impair that independence.

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

Acting as an auditor places specific obligations on the firm, partners and staff in order to demonstrate the firm's required independence. KPMG's policies and procedures regarding independence matters are detailed in the *Ethics and Independence Manual* ('the Manual'). The Manual sets out the overriding principles and summarises the policies and regulations which all partners and staff must adhere to in the area of professional conduct and in dealings with clients and others.

KPMG is committed to ensuring that all partners and staff are aware of these principles. To facilitate this, a hard copy of the Manual is provided to everyone annually. The Manual is divided into two parts. Part 1 sets out KPMG's ethics and independence policies which partners and staff must observe both in relation to their personal dealings and in relation to the professional services they provide. Part 2 of the Manual summarises the key risk management policies which partners and staff are required to follow when providing such services.

All partners and staff must understand the personal responsibilities they have towards complying with the policies outlined in the Manual and follow them at all times. To acknowledge understanding of and adherence to the policies set out in the Manual, all partners and staff are required to submit an annual ethics and independence confirmation. Failure to follow these policies can result in disciplinary action.

Auditor declaration

In relation to the audit of the financial statements of Yorkshire Purchasing Organisation for the financial year ending 31 December 2015, we confirm that there were no relationships between KPMG LLP and Yorkshire Purchasing Organisation, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

For 2015 our materiality is £2 million for the Organisation's accounts.

We have reported all audit differences over £100,000 for the Organisation's accounts to the Audit Sub-Committee.

Materiality

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

- Material errors by value are those which are simply of significant numerical size to distort the reader's perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements.
- Errors which are material by nature may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff.
- Errors that are material by context are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.

We used the same planning materiality reported in our External Audit Plan 2015, presented to you in October, 2015

Materiality for the Organisation's accounts was set at £2m which equates to around 1.7 percent of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

Reporting to the Audit sub-Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Sub-Committee any

misstatements of lesser amounts to the extent that these are identified by our audit work.

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

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

In the context of the Organisation, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £100k for the Organisation.

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

Appendix 5: KPMG Audit Quality Framework

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG.

The diagram summarises our approach and each level is expanded upon.

At KPMG we consider audit quality is not just about reaching the right opinion, but how we reach that opinion. KPMG views the outcome of a quality audit as the delivery of an appropriate and independent opinion in compliance with the auditing standards. It is about the processes, thought and integrity behind the audit report. This means, above all, being independent, compliant with our legal and professional requirements, and offering insight and impartial advice to you, our client.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG. We use our seven drivers of audit quality to articulate what audit quality means to KPMG.

We believe it is important to be transparent about the processes that sit behind a KPMG audit report, so you can have absolute confidence in us and in the quality of our audit.

Tone at the top: We make it clear that audit quality is part of our culture and values and therefore non-negotiable. Tone at the top is the umbrella that covers all the drives of quality through a focused and consistent voice. Rashpal Khangura as the Engagement Lead sets the tone on the audit and leads by example with a clearly articulated audit strategy and commits a significant proportion of his time throughout the audit directing and supporting the team.

Association with right clients: We undertake rigorous client and engagement acceptance and continuance procedures which are vital to the ability of KPMG to provide high-quality professional services to our clients.

Clear standards and robust audit tools: We expect our audit professionals to adhere to the clear standards we set and we provide a range of tools to support them in meeting these expectations. The global rollout of KPMG's eAudIT application has significantly enhanced existing audit functionality. eAudIT enables KPMG to deliver a highly

technically enabled audit. All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.



Recruitment, development and assignment of appropriately qualified personnel: One of the key drivers of audit quality is assigning professionals appropriate to the Organisation's risks. We take care to assign the right people to the right clients based on a number of factors including their skill set, capacity and relevant experience.

We have a well developed technical infrastructure across the firm that puts us in a strong position to deal with any emerging issues. This includes:

- A national public sector technical director who has responsibility for co-ordinating our response to emerging accounting issues, influencing accounting bodies (such as CIPFA) as well as acting as a sounding board for our auditors.

- A national technical network of public sector audit professionals is established that meets on a monthly basis and is chaired by our national technical director.

- All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.

- A dedicated Department of Professional Practice comprised of over 100 staff that provide support to our audit teams and deliver our web-based quarterly technical training.

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

Quality must build on the foundations of well trained staff and a robust methodology.

Commitment to technical excellence and quality service delivery:

Our professionals bring you up- the-minute and accurate technical solutions and together with our specialists are capable of solving complex audit issues and delivering valued insights.

Our audit team draws upon specialist resources including Forensic, Corporate Finance, Transaction Services, Advisory, Taxation, Actuarial and IT. We promote technical excellence and quality service delivery through training and accreditation, developing business understanding and sector knowledge, investment in technical support, development of specialist networks and effective consultation processes.

Performance of effective and efficient audits: We understand that how an audit is conducted is as important as the final result. Our drivers of audit quality maximise the performance of the engagement team during the conduct of every audit. We expect our people to demonstrate certain key behaviors in the performance of effective and efficient audits. The key behaviors that our auditors apply throughout the audit process to deliver effective and efficient audits are outlined below:

- timely Engagement Lead and manager involvement;
- critical assessment of audit evidence;
- exercise of professional judgment and professional scepticism;
- ongoing mentoring and on the job coaching, supervision and review;
- appropriately supported and documented conclusions;
- if relevant, appropriate involvement of the Engagement Quality Control reviewer (EQC review);
- clear reporting of significant findings;
- insightful, open and honest two-way communication with those charged with governance; and
- client confidentiality, information security and data privacy.

Commitment to continuous improvement: We employ a broad range of mechanisms to monitor our performance, respond to feedback and understand our opportunities for improvement.

Our quality review results

Public Sector Audit Appointments Ltd publishes information on the quality of work provided by us (and all other firms) for audits undertaken on behalf of them (<http://www.psa.co.uk/audit-quality/principal-audits/kpmg-audit-quality/>).

The latest Annual Regulatory Compliance and Quality Report issued June 2015 showed that we are meeting the overall audit quality and regulatory compliance requirements.



cutting through complexity™

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**REPORT TO
AUDIT SUB COMMITTEE
TO BE HELD ON
22ND APRIL 2016**

SUBJECT: AUDITED STATEMENT OF ACCOUNTS 2015

REPORT OF: HEAD OF FINANCE AND FINANCIAL CONTROLLER

1 PURPOSE OF REPORT

1.1 To present the audited Statement of Accounts for 2015.

2 SUMMARY

2.1 The Statement of Accounts 2015 has been externally audited and the auditors anticipate an unqualified opinion.

3 BACKGROUND

3.1 In accordance with the Accounts and Audit Regulations, 2011 and taking into account relevant accounting codes of practice and applicable accounting standards, a Statement of Accounts were prepared.

3.2 The pre-audit Statement of Accounts 2015 was approved for external audit at the Audit Sub Committee on 18th March 2016.

3.3 The external audit commenced on site from the 7th March 2016 until 24th March 2016. All follow up questions and issues raised were concluded on the 12th April 2016.

3.4 All recommendations from the auditors were considered and the accounts amended where appropriate.

3.5 A full list of all audit differences and control weaknesses identified are contained within the External Audit report.

3.6 A full schedule of all amendments made to the pre-audit Statement of Accounts to the audited Statement of Accounts is included as appendix 1 to this report.

3.7 It is proposed by the external auditors, within the report to those charged with governance, that an unqualified audit opinion will be received by 30th April 2016.

4 RECOMMENDATION

4.1 That the audited Statement of Accounts be signed off for 2015.

4.2 Not to agree a Statement of Accounts will be in breach of the Accounts and Audit Regulations 2011 and is not recommended.

5 WHAT DOES THIS MEAN FOR YPO STAKEHOLDERS?

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

6. OUTCOME AND SUSTAINABILITY

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

7. FINANCIAL IMPLICATIONS

7.1 The audit fee is expected to be around £29k and that amount has been included in the budget for 2016.

8. LEGAL IMPLICATIONS

8.1 There are no legal implications arising from this report.

9. EQUALITY IMPLICATIONS / EQUALITY OF OPPORTUNITY IMPLICATIONS

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

10. RISK ASSESSMENT

10.1 There is no risk associated with this report.

SERVICE DIRECTOR: PAUL SMITH, EXECUTIVE DIRECTOR

YPO
41 Industrial Park
Wakefield
WF2 0XE

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

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

YPO
41 Industrial Park
Wakefield
WF2 0XE

Telephone No: 01924 821775 / 834967
E-mail address: steven.hall@ypo.co.uk / matthew.hirst@ypo.co.uk

APPENDIX:

Appendix 1 – Adjustments made to the pre-audit Statement of Accounts.

Appendix 2 – Audited Statement of Accounts 2015.

APPENDIX 1

2015 Statement of Accounts version tracker

The below table records all changes made to the 2015 Statement of Accounts from the original submission to February's Audit Sub-committee to the audited version to be submitted to April's Audit Sub-committee.

All adjustments below have been made following a final review by the finance team and after discussions with our external auditors. All changes made have no effect on the net profit for the year and do not impact the net assets position within the balance sheet.

Issue	Original version	Final Audited version
Balance Sheet: Short term debtors and short term creditors (Page 11)	As at the year end, the list of short term debtors included £210K of credit balances and the short term creditors included £225K of debit balances.	In order to show the true value of debtors and creditors at year end, both balances were increased by the gross value of £435K which in theory shows the total amount owed and owing to the company in the short term.
Cash Flow Statement (Page 12)	Original version of the cash flow statement doesn't reflect amendments made.	New version reflects changes made above to debtors and creditors.
Notes 10 & 11 – Debtors and Creditors (Page 24)		Table amounts amended in line with adjustments disclosed above.
Note 17 – Related party (Page 31)	The value of transactions with YPO Supplies Limited didn't include the value of all recharges in respect of warehouse and office activity undertaken by YPO staff to fulfil limited company orders.	The transactions value (ex VAT) for the year with YPO Supplies Ltd has been adjusted to £602,403 from £562,264.
Note 17 – Related party (Page 31)	The outstanding balance as at 31 st Dec 2015 with YPO Supplies was stated as £232,601. This included a duplicate invoice totalling £125 and therefore didn't reconcile back to the YPO Supplies ledger.	The disclosed outstanding balance with YPO Supplies has been amended to £232,476.
Note 19 – Events after the balance sheet date (Page 32)	Agreed dividend distribution shown as £XXX as yet to be finalised.	Amount changed to £9.230m which is the figure agreed in March 2016.

YORKSHIRE PURCHASING ORGANISATION



**AUDITED
STATEMENT
OF ACCOUNTS
2015**

41 Industrial Park • Wakefield • WF2 0XE

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
Assistant Chief Executive, Resources & Governance, City of Wakefield MDC

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.

.....

MARTYN JOHNSON
Chairman YPO Audit Sub-Committee

Auditors Opinion



MOVEMENT IN RESERVES STATEMENT

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

2014 Re-Stated	'£'000										
	Usable Reserves			Unusable Reserves					Total Usable reserves	Total Unusable reserves	Total Reserves
	General Fund Balance	Capital Receipt Reserve	Internal Investment Reserve	Joint Committee Capital Adjustment Account	Earmarked Pension Reserve	Earmarked Accumulated absences account	Revaluation Reserve				
Balance as at 31 December 2013	25,328	85	3,431	11,853	(17,861)	(42)	240	28,844	(5,811)	23,034	
Movement in Reserves during 2014											
Surplus or (Deficit) on Operations	406						-	406	0	406	
Other Comprehensive Income					763		(172)	0	591	591	
Total Comprehensive Expenditure and Income	406	0	0	0	763	0	(172)	406	591	996	
Adjustments between accounting basis and funding basis under regulation	-						-	-	-	-	
Net Increase / (Decrease) before transfer to Earmarked Reserves	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)	
Increase / (Decrease) in Movement in Year	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										
	Usable Reserves			Unusable Reserves					Total Usable reserves	Total Unusable reserves	Total Reserves
	General Fund Balance	Capital Receipt Reserve	Internal Investment Reserve	Joint Committee Capital Adjustment Account	Earmarked Pension Reserve	Earmarked Accumulated absences account	Revaluation Reserve				
Balance as at 31 December 2014	29,507	85	1,830	11,263	(18,652)	(69)	62	31,422	(7,396)	24,025	
Movement in Reserves during 2015											
Surplus or (Deficit) on Operations	(701)							(701)	0	(701)	
Other Comprehensive Income					3,500		(60)	0	3,440	3,440	
Total Comprehensive Expenditure and Income	(701)	0	0	0	3,500	0	(60)	(701)	3,440	2,739	
Adjustments between accounting basis and funding basis under regulation											
Net Increase / (Decrease) before transfer to Earmarked Reserves	(701)	0	0	0	3,500	0	(60)	(701)	3,440	2,739	
Transfer (to) / from Earmarked Reserves	1,496		473	(249)	(1,675)	(44)	(1)	1,969	(1,969)	0	
Increase / (Decrease) in Movement in Year	795	0	473	(249)	1,825	(44)	(62)	1,268	1,471	2,739	
Balance as at 31 December 2015	30,301	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		2015
Re-stated		
£'000		£'000 Note
120,985	<i>Invoiced Turnover</i>	117,404 1(b),6
(90,510)	<i>Cost of Sales</i>	(86,673)
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
38,261	<i>Gross Surplus</i>	38,142
	<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
(29,227)	<i>Net Operating Expenditure</i>	(29,827)
9,034	<i>Surplus/(deficit) on trading operations</i>	8,316
	<i>Other Operating expenditure</i>	
0	Gain/(Loss) on Disposal of Property, Plant and Equipment	0
0		0
	<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	
(8,629)		(9,016)
406	<i>Surplus/(Deficit) on provision of service</i>	(701)
	<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
996	<i>Total comprehensive Income and Expenditure</i>	2,739

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

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>	Net surplus/(deficit) on the provision of service	<u>(701)</u>
	Adjustment to the net surplus/(deficit) for non cash movements	
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>
	Adjustments for items included in the net surplus/(deficit) that are financing/investing activities	
8,190	Proceeds from sale of PPE	8,339
<u>8,190</u>	Dividend payment	<u>8,339</u>
<u>7,854</u>	Net cash flows from operating activities	<u>9,722</u>
	Investing Activities	
(242)	Purchase of PPE	(798)
0	Proceeds from Sale of PPE	0
<u>(242)</u>		<u>(798)</u>
	Financing Activities	
(6,851)	Dividends paid to Members	(7,067)
<u>(6,851)</u>		<u>(7,067)</u>
<u>761</u>	Net Increase/(Decrease) in Cash and Cash Equivalents	<u>1,857</u>
14,618	Cash and Cash Equivalents at the beginning of the reporting period	15,379
<u>15,379</u>	Cash and Cash Equivalents at the end of the reporting period	<u>17,237</u>

Note on operating activities		
	The cash flows from operating activities include the following items	
88	Interest Receivable	80
88		80

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
- . unitised securities - current bid price
- . property - market value

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

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

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

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

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

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

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

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

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

Discretionary Benefits

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

Notes to the Core Financial Statements

i. TAXATION

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

j. EXCEPTIONAL ITEMS, EXTRAORDINARY ITEMS AND PRIOR YEAR ADJUSTMENTS

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

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

k. EVENTS AFTER THE BALANCE SHEET DATE

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

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

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

l. INTEREST RECEIVABLE/PAYABLE

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

m. INVENTORIES

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

n. LEASES

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

YPO accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to YPO. Rental payments under finance leases are apportioned between the finance charge and the reduction of the outstanding lease obligation (deferred liability). Fixed Assets held under finance leases are accounted for as part of Property, Plant and Equipment. No assets were held on finance leases as at 31st December 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
Comprehensive Income and Expenditure Account						
Cost of Service						
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	0
Financing and investment income and Expenditure						
Net interest Expense	713	40	753	592	32	624
Total Post Employment Benefit Charged to the surplus or Deficit on the Provision of Services	2,996	40	3,036	3,239	32	3,271
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement						
Remeasurement of the net defined benefit liability						
Return on plan assets (gains)/losses	(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)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	2,188	85	2,273	(239)	10	(229)
Movement in Reserves Statement						
Reversal of net charges made to the comprehensive Income and Expenditure account for post employment benefits in accordance with the Code	(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
Total Charge against the General fund	(1,635)	81	(1,554)	(1,707)	32	(1,675)

* 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)
Net liability arising from defined benefit obligation	(17,681)	(15,910)	(971)	(917)

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> £'000	<u>2015</u> £'000
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)
Balance at 31st December	70,337	71,953

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

	Funded Liabilities		Unfunded Liabilities	
	<u>2014</u> £'000	<u>2015</u> £'000	<u>2014 Re-stated</u> £'000	<u>2015</u> £'000
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)				
<i>Actuarial gains and (losses) - demographic assumptions</i>	1,858	0	(31)	
<i>Actuarial gains and (losses) - financial assumptions</i>	(3,686)	3,436	(6)	16
<i>Actuarial gains and (losses) - experience</i>	629	274	(8)	6
Benefits paid	2,487	2,926	65	64
Past service costs and curtailments	(57)	(80)		
Balance at 31st December	(88,018)	(87,863)	(971)	(917)

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%
TOTAL	100.0%	100.0%

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

Basis for estimating assets and liabilities

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

The principal assumptions used by the actuary have been:

	Funded element		Unfunded element	
	<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

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

Increase in Assumption £000	Decrease in Assumption £000
2,204	(2,206)
488	(482)
1,314	(1,293)
(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	Land & Buildings £'000	Furniture & Equipment £'000	Computers £'000	Vehicles £'000	TOTAL £'000
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	9,240	732	925	3,336	14,233
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	0	387	847	2,727	3,961
Net Book Value at 31 December 2015	9,240	345	78	609	10,272
Net Book Value at 1 January 2015	9,877	367	47	252	10,544

2014 Comparative

Property Plant and Equipment	Land & Buildings £'000	Furniture & Equipment £'000	Computers £'000	Vehicles £'000	TOTAL £'000
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	9,877	684	860	2,774	14,194
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	0	316	813	2,521	3,650
Net Book Value at 31 December 2014	9,877	367	47	252	10,544
Net Book Value at 1 January 2014	10,325	375	76	641	11,417

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

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

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)
Closing Inventory balance	12,489	55	12,544

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)
Closing Inventory balance	10,556	75	10,631

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
Total	14,301	11,827

Debtors are analysed by the following categories

Trade debtors

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

	31st Dec 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).

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

Creditors are analysed by the following categories

Trade creditors

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

	31st Dec 2014 £'000	31st Dec 2015 £'000
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
other local authorities
NHS bodies
NHS bodies
public corporations and trading funds
bodies external to general government (i.e. all other bodies).

	31st Dec 2014 £'000	31st Dec 2015 £'000
central government bodies	189	159
other local authorities	1,108	770
NHS bodies	-	-
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

	31st Dec 2014 £'000	31st Dec 2015 £'000
Liability relating to Defined Benefit Pension Scheme	18,652	16,827
Total	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
Total	2,842	2,539

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
Total reserves	24,027	26,765	2,738	

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.

General fund balance	2014 £'000	2015 £'000
Balance brought Forward 1st of January	25,328	29,507
Surplus or deficit on operations	406	(701)
Total comprehensive income and expenditure	406	(701)
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
Total voluntary adjustments	2,173	1,969
Pension Contribution Reserve	-	-
Internal Investment Reserve	1,601	(473)
Total transfers to/from cash reserves	1,601	(473)
Total transfers to/from earmarked reserves	3,774	1,496
Balance Carried Forward 31st December	29,507	30,301
Movement in year represented in the Movement in Reserves Statement	4,179	794

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

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

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

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

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.

	2014 £000	2015 £000
Joint Committee Capital Adjustment Account		
Balance bought Forward 1st of January	11,854	11,263
Brought Forward adjustment		
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	(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
Net Written out amount of the cost of non-current assets consumed in the year		
Capital financing applied in the year		
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-
Capital expenditure charged against the General Fund	242	798
	11,263	11,014
Balance Carried Forward 31st December	11,263	11,014
Movement in year represented in the Movement in Reserves Statement	(591)	(590)

(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.

	2014 £000	2015 £000
Earmarked Pension Reserve		
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
Movement on Assets and Liabilities in year	(18,652)	(16,827)
Movement in year represented in the Movement in Reserves Statement	(791)	1,825

(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.

	2014 £000	2015 £000
Earmarked Accumulated Absences Account		
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)
Balance as at 31st December	(69)	(112)
Movement in year represented in the Movement in Reserves Statement	(27)	(44)

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
Revaluation Reserve		
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		
Balance Carried Forward 31st December	62	0
Movement in year represented in the Movement in Reserves Statement	(177)	(62)

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
TOTAL	8	10

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	45,318	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								
Total	4	0	0	7	4	7	30	96

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
	1,236	2,858

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
	Trading	
71,827	Stores	72,448
16,322	Food	16,445
32,835	Directs	28,510
120,984	Total Invoiced Sales	117,404
(90,510)	Cost of Sales	(86,673)
30,474	Gross Margin	30,731
226	Discounts	199
5,365	Rebates	4,902
2,196	Other Income	2,310
38,261	Total Income	38,142
	Operating Costs	
(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)
(28,426)	Total Operating Costs	(28,776)
88	Interest (payable)/receivable	80
-	Profit/(loss) on disposal of assets	-
-	Dividend paid	-
-	Pension costs	-
9,923	Surplus or (deficit)	9,446

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	-
406	Surplus/(Deficit) on provision of service	- 701

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	
Total Invoiced Sales	117,404	-	-	117,404
Cost of Sales	(86,673)	-	-	(86,673)
Gross Margin				
Discounts	199	-	-	199
Rebates	4,902	-	-	4,902
Other Income	2,310	-	-	2,310
Total Income	38,142	0	-	38,142
Operating Costs				
Employment costs	(16,766)	-	-	(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)
Total Operating Costs	(28,776)	0	-	(28,776)
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)
Surplus or (deficit) on provision of service	9,446	(10,147)	-	(700)

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	
Total Invoiced Sales	120,984	-	-	120,984
Cost of Sales	(90,510)	-	-	(90,510)
Gross Margin				
Discounts	226	-	-	226
Rebates	5,365	-	-	5,365
Other Income	2,196	-	-	2,196
Total Income	38,261	0	-	38,261
Operating Costs				
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)
Total Operating Costs	(28,426)	0	-	(28,426)
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)
Surplus or (deficit) on provision of service	9,923	(9,433)	-	406

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
	198,066	198,461

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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**REPORT TO
AUDIT SUB-COMMITTEE
TO BE HELD ON
22ND APRIL 2016**

TITLE: 2016/17 WORK PROGRAMME

REPORT OF: MANAGING DIRECTOR

1. PURPOSE OF REPORT

1.1 To provide members with an overview of the work scheduled for the 2016/17 committee cycle.

2. BACKGROUND INFORMATION

2.1 The Audit Sub-Committee has a membership of nine members drawn from the Management Committee who meet three times during the year. Its primary purpose is to undertake the duties of 'those charged with governance' under delegation from the Management Committee. The Audit Sub-Committee has delegated powers to sign off the annual financial statements and annual governance report on behalf of the Management Committee and ensure it has sufficient information and knowledge to undertake those duties.

2.2 Since the last AGM the Audit Sub-Committee has met 3 times and on each occasion a full set of minutes with actions and matters arising has been presented to the Management Committee.

3 TERMS OF REFERENCE

3.1 The terms of reference have been reviewed and are attached for member's consideration.

4 PRINCIPAL AGENDA ITEMS

4.1 The focus of the principal agenda items for the Audit Sub-Committee are similar to previous years and are aimed at providing the Audit Sub-Committee sufficient information to undertake the role of 'those charged with governance'.

4.2 The proposed principal agenda items along with a meeting schedule and training plan are attached as appendices.

5 RECOMMENDATION

5.1 Members are asked to agree this report for submission to the AGM in the name of the Chair of the Audit Sub-Committee.

REPORT AUTHOR: Simon Hill, Managing Director

Yorkshire Purchasing Organisation
41 Industrial Park
Wakefield
WF2 0XE

Telephone No: 01924 834912

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

APPENDIX (CES):

Appendix 1 - Terms of Reference 2016/17

Appendix 2 - Principal Agenda Items

Appendix 3 - Meeting Schedule

Appendix 4 - Training Schedule

Yorkshire Purchasing Organisation

Audit Sub-Committee Terms of Reference 2016/17

Number of Members

Nine Councillors, but not the Chair or Vice Chair of the Management Committee
Not more than one Councillor from any member authority.

Co-opted member

One non-voting co-opted member selected by the Management Committee, following a recommendation by the Audit Sub-Committee.

Frequency of Meetings

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

Quorum

Three voting members.

Substitutes

Allowed.

Remit

1. To ensure that the highest standards of probity and public accountability are demonstrated and in doing so ensure effective governance of YPO.
2. To provide the Management Committee with a reasonable assurance of the efficient and effective operation of the overall internal control environment within YPO, through a systematic appraisal of its framework of internal controls, processes and data quality.
3. To consider internal audit plans and performance to ensure the work of internal audit is planned and carried out with due regard to major risks, areas of significant financial effect and the need to cover the range of the service, and to challenge and review actions taken by senior managers on significant audit recommendations.
4. To consider the external audit work programme and monitor the implementation of significant external audit recommendations.
5. To ensure that an appropriate risk management strategy has been drawn up and to monitor that risk management procedures are being carried out effectively, including the establishment of a reserves policy.
6. To review annually its terms of reference and report any additions and amendments to the Management Committee.
7. To provide an update to management committee on the activities of the committee activity by way of meeting minutes and responses to any matters arising.

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

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

Principal Agenda Items 2016 - 2017

Audit Sub-Committee

November 2016	Author	Agenda
Internal Audit Plan Template 2017	CT	<i>Public</i>
Risk Management Process	PS/DW/AHG	<i>Public</i>
Risk Register	PS/DW/AHG	<i>Private</i>
Year End Closedown Timetable	PS/ S Hall	<i>Public</i>
External Audit Plan	KPMG	<i>Public</i>
Annual Audit Letter	KPMG	<i>Public</i>

February 2017	Author	Agenda
Internal Audit Action Update	PS/DW/ AHG	<i>Private</i>
Annual Governance Statement	PS/S Hall	<i>Public</i>
Pre-Audit Statement of Accounts	PS/S Hall	<i>Public</i>
Internal Audit Annual Report 2016	CT	<i>Public</i>
Internal Audit Plan 2016	CT	<i>Public</i>

April 2017	Author	Agenda
External Audit Report	KPMG	<i>Public</i>
Audited Statement of Accounts	PS/S Hall	<i>Public</i>
Audit Sub Work Programme & TOR	SH	<i>Public</i>
Governance Review	PS/DW/ AHG	<i>Public</i>
Internal Audit Progress	CT	<i>Public</i>

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YPO MEETINGS SCHEDULE 2016/17



Date of Meeting		Papers Deadline	Board Meeting	Strategic Officers Meeting	Executive Sub Committee	Management Committee	JCC Members Meeting	Audit Sub Committee	Scrutiny Sub Committee	Partnership Liaison Meeting
July										
19/7	9:00	Noon - Wednesday 13 th July	Board Meeting							
August										
23/8	9:00	Noon - Wednesday 17 th Aug	Board Meeting							
September										
20/9	9:00	Noon - Wednesday 14 th Sep	Board Meeting							
October										
7/10	11:00	N/A								Partnership Meeting
11/10	9:00	Noon - Wednesday 5 th Oct	Board Meeting							
14/10	10:30	Noon - Wednesday 14 th Sep							Scrutiny Sub	
21/10	10:30	Noon - Wednesday 5 th Oct		Strategic Officers						
November										
4/11	10:30	Noon - Wednesday 5 th Oct						Audit Sub		
11/11	10:30	Noon - Wednesday 5 th Oct			Executive Sub					
15/11	9:00	Noon - Wednesday 9 th Nov	Board Meeting							
25/11	9:30	Noon - Friday 18 th Nov					JCC			
25/11	10:30	Noon - Wednesday 9 th Nov				Management Committee				
December										
13/12	9:00	Noon - Wednesday 7 th Dec	Board Meeting							
January										
17/1	9:00	Noon - Wednesday 11 th Jan	Board Meeting							
February										
3/2	11:00	N/A								Partnership Meeting
7/2	10:30	Noon - Wednesday 1 st Feb	Board Meeting							
10/2	10:30 13:00	Noon - Wednesday 11 th Jan		Strategic Officers					Scrutiny Sub	
24/2	10:30	Noon - Wednesday 1 st Feb						Audit Sub		
March										
10/3	10:30	Noon - Wednesday 1 st Feb			Executive Sub					
21/3	9:00	Noon - Wednesday 15 th Mar	Board Meeting							
24/3	9:30	Noon - Friday 17 th Mar					JCC			
24/3	10:30	Noon - Wednesday 15 th Mar				Management Committee				
April										
25/4	9:00	Noon - Wednesday 19 th Apr	Board Meeting							
28/4	10:30	Noon - Wednesday 15 th Mar						Audit Sub		
May										
12/5	9:00	N/A								Partnership Meeting
16/5	9:00	Noon - Wednesday 10 th May	Board Meeting							
19/5	10:30	Noon - Wednesday 19 th Apr							Scrutiny Sub	
26/5	13:00	Noon - Wednesday 10 th May		Strategic Officers						
June										
9/6	10:30	Noon - Wednesday 10 th May			Executive Sub					
13/6	9:00	Noon - Wednesday 7 th June	Board Meeting							
23/6	9:30	Noon - Friday 16 th June					JCC			
23/6	10:30	Noon - Wednesday 7 th June				Management Committee				

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TRAINING SCHEDULE FOR 2016 - 2017

	EXEC SUB COM	AUDIT SUB COM	SCRUTINY SUB COM
Date and Training Topic	<p>11th November 2016</p> <p>Workforce/ People Strategy Warehouse & Logistics Strategy</p> <p>Julie Wray</p>	<p>4th November 2016</p> <p>Financial Management</p> <p>Steven Hall</p>	<p>14th October 2016</p> <p>Financial Management</p> <p>Steven Hall</p>
Date and Training Topic	<p>10th March 2017</p> <p>Commercial & Customer Strategy Procurement Services Strategy</p> <p>Paul Smith</p>	<p>24th February 2017</p> <p>External & Internal Audit Relationship</p> <p>Carl Tweed</p>	<p>10th February 2017</p> <p>Project Management</p> <p>Gavin Rimmington</p>
Date and Training Topic	<p>9th June 2017</p> <p>IT Strategy & Business Change Programme</p> <p>Gavin Rimmington</p>	<p>28th April 2017</p> <p>Risk Management</p> <p>Andrea Hirst-Gee/ Diana Wright</p>	<p>19th May 2017</p> <p>Business Planning</p> <p>Steven Hall</p>

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**REPORT TO
AUDIT SUB COMMITTEE
TO BE HELD ON
22ND APRIL 2016**

TITLE: GOVERNANCE REVIEW

REPORT OF: MANAGING DIRECTOR

1. PURPOSE OF REPORT

1.1 To review the policies and processes by which YPO is managed.

2. BACKGROUND INFORMATION

2.1 YPO has in place various governance policies which detail its approach to managing the organisation. These are reviewed at least annually and any changes brought to Management Committee for approval.

2.2 During the last 12 months the following policies and protocols have been reviewed with the recommended actions detailed below:

Item	Latest Status	Proposed Action
Meeting Standing Orders	Reviewed and changes proposed in Appendix 1.	Changes to be agreed by Management Committee.
Managing Directors Scheme of Delegation	Reviewed and no changes proposed.	No further action.
Contract Standing Orders and Financial Procedure Rules	Last reviewed in March 2016 and changes agreed by Management Committee on the 18 th March 2016.	No further action.
Gifts and Hospitality Policy	Last reviewed on the 5 th February 2016 by the Scrutiny Sub Committee and no changes proposed.	No further action.
Anti-Fraud and Bribery policy	Reviewed by Board on 15 th December 2015 and no changes proposed.	No further action.
Fraud Response Plan	Reviewed by Board on 15 th December 2015 and no changes proposed.	No further action.
Code of Corporate Governance	Reviewed by Board on 19 th January. (The Code has been reviewed and updated to reflect changes to the underlying legislation, the Accounts and Audit Regulations 2015; to make it	Changes to be noted by Members.

	consistent with the information published on the governance pages of the YPO website; and to update the list of associate members.)	
Risk Management	Reviewed by Board on 21 st September 2015.	No further action.

3. STRATEGIC IMPLICATIONS

3.1 None.

4. FINANCIAL IMPLICATIONS

4.1 None.

5. LEGAL IMPLICATIONS

5.1 The governance documents are supporting documents which aid compliance with various pieces of legislation such as the Bribery Act 2010.

5.2 The Code of Corporate Governance details how YPO complies with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government.

6. EQUALITY IMPLICATIONS

6.1 None.

7. RISK IMPLICATIONS

7.1 This is an update to a procedure supporting the governance of the organisation. Thus accepting the report does not in itself pose any risk to the organisations wellbeing.

8. RECOMMENDATION

8.1 That the Audit Sub-Committee recommends to the Management Committee that the proposals outlined in the table at 2.2 are adopted.

SERVICE DIRECTOR: SIMON HILL, MANAGING DIRECTOR

YPO
41 Industrial Park
Wakefield
WF2 0XE

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

APPENDIX

Appendix 1: Meeting Standing Orders

STANDING ORDERS OF THE YORKSHIRE PURCHASING ORGANISATION

1 ANNUAL MEETING OF THE MANAGEMENT COMMITTEE

1.1 Timing and Business

The Annual Meeting will take place on a date in June.

The Annual Meeting will:

- (i) Elect a person to preside as Chair and Vice Chair of the Management Committee until the next Annual Meeting;
- (ii) Approve the minutes of the previous meeting;
- (iii) Receive any declarations of interest;
- (iv) Receive any announcements from the Chair;
- (v) Approve a programme of ordinary meetings of the Management Committee for the ensuing year;
- (vi) Receive the Annual Report of the Managing Director of the Yorkshire Purchasing Organisation;
- (vii) Deal with appointment of Members to any sub-committees;
- (viii) Consider the distribution of trading profits;
- (ix) Approve the Statement of Accounts of the Yorkshire Purchasing Organisation (subject to any amendments in regard to (vii) above);
- (x) Consider any other business set out in the notice convening the meeting.

2 ORDINARY MEETINGS OF THE MANAGEMENT COMMITTEE

2.1 Timing and Business

Ordinary meetings will take place in accordance with the programme determined by the Annual Meeting. There will be three ordinary meetings unless otherwise determined by the Annual Meeting or a Special Meeting is covered.

Ordinary meetings will:

- (i) Elect a person to preside if the Chair and Vice Chair are not present;
- (ii) Approve the minutes of the previous meeting and note the minutes of any Sub-Committees referred to the Management Committee;
- (iii) Receive any declarations of interests;
- (iv) Receive any announcements from the Chair;
- (v) Receive reports from the Managing Director of the Yorkshire Purchasing Organisation and relevant officers of the Lead Authority and District Auditor;
- (vi) Consider motions; and
- (vii) Consider any other business set out in the notice convening the meeting.

3 SPECIAL MEETINGS

3.1 Calling Special Meetings

Those listed below may request the Secretary to the Joint Committee to convene a special meeting of the Management Committee:

- (i) Chair;
- (ii) One Member Authority with a request signed by the respective Chief Executive and addressed to the Secretary of the Joint Committee;
- (iii) The Monitoring Officer or at the request of the S151 Officer.

3.2 The notice of the Special Meeting will set out the business to be considered and no other business other than the items set out in Paragraph 2(ii) – (v) will be considered, unless there are any urgent matters that will not wait until the next scheduled meeting.

4 CHAIR OF MEETING

4.1 At any meeting of the Management Committee the Chair will preside. If the Chair is absent then the Vice Chair will preside. If both the Chair and Vice Chair are absent such Member as the Members present choose will preside. The person presiding at the meeting will exercise any power or duty of the Chair.

5 QUORUM

5.1 The quorum of a meeting will be one third of the whole number of the Member Authorities of the Management Committee. If during any meeting it appears that there may not be a quorum present the Secretary of the Joint Committee shall call out the names of the Member Authorities of the Management Committee and if it should so appear the Chair shall declare the meeting at an end and the names of those who are present and of those absent will be recorded in the minutes.

6 SUB-COMMITTEES

6.1 The terms of reference of any Sub-Committees will be determined by the Management Committee or delegated to the first meeting of each Sub-Committee.

6.2 Appointments of a Chair and Vice-Chair to any Sub-Committees will be delegated to the first meeting of each Sub-Committee, ~~made by the Management Committee.~~

6.3 Sub-Committees will determine their own programme of meetings but a Special Meeting of any Sub-Committee may be convened at any time on request by the Chair, by a Member Authority joint with a request signed by the respective Chief Executives and addressed to the Secretary of the Joint Committee or by the Monitoring Officer or S151 Officer. The notice of the Special Meeting will set out the business to be considered and no other business other than the items set out in Paragraph 2(ii) – (v) will be considered, unless there are any urgent matters that will not wait until the next scheduled meeting.

6.4 One quarter of the whole number of Member Authorities of a Sub-Committee will form a quorum unless a quorum is agreed by Management Committee. In all cases a quorum will comprise not less than two Member Authorities.

6.5 The Chair and Vice-Chair of the Management Committee will be ex officio members of any Sub-Committee, except the Audit Sub-Committee.

7 QUESTIONS BY MEMBERS

- 7.1 A Member may ask any question without notice concerning an item of business when that item is being received or under consideration by the Management Committee.
- 7.2 An answer may take the form of:
- (i) A direct oral answer;
 - (ii) Where the desired information is in a publication, a reference to that publication; or
 - (iii) Where a reply cannot conveniently be given orally, a written answer circulated later to the questioner and to the other members of the Committee.

8 MOTIONS OF NOTICE

- 8.1 Except for motions which can be moved without notice under Paragraph 9, written notice of every motion, signed by one or more of the Member Authorities, must be delivered to the Secretary of the Joint Committee not later than seven clear working days before the date of the meeting.
- 8.2 Motions for which notice has been given will be listed on the agenda of the Management Committee in the order in which notice has been received, unless the Member Authority or Member Authorities giving notice state, in writing, that it is proposed to move it to a later meeting or withdraw it.
- 8.3 Motions must be about matters for which the Management Committee has a responsibility.

9 MOTIONS WITHOUT NOTICE

- 9.1 The following motions may be moved without notice:
- (i) To appoint a Chair of the meeting at which the motion is moved;
 - (ii) In relation to the accuracy of the minutes;
 - (iii) To change the order of business on the agenda;
 - (iv) To refer something to an appropriate body or individual;
 - (v) To appoint a Sub-Committee arising from an item considered at a Management Committee Meeting;
 - (vi) To withdraw a motion;
 - (vii) To amend a motion;
 - (viii) To proceed to the next business;
 - (ix) That the question be now put;
 - (x) To adjourn a debate;
 - (xi) To adjourn a meeting;
 - (xii) To suspend a particular Standing Order;
 - (xiii) To exclude the public and press in accordance with the Access to Information requirements set out in Paragraph 18.

10 RULES OF DEBATE

- 10.1 No speeches may be made after the mover has moved a proposal and explained the purpose of it until the motion has been seconded.
- 10.2 Unless notice of the motion has already been given, the Chair may require it to be written down and handed to him/her before it is discussed.
- 10.3 When seconding a motion or amendment, a Member may reserve their speech until later in the debate.

- 10.4 Speeches must be directed to the question under discussion or to a personal explanation or point of order. No speech may exceed five minutes without the consent of the Chair.
- 10.5 A Member who has spoken on a motion may not speak again whilst it is the subject of debate, except:
- (a) To speak once on an amendment moved by another member;
 - (b) To move a further amendment if the motion has been amended since he/she last spoke;
 - (c) If his/her first speech was on an amendment moved by another member, to speak on the main issue (whether or not the amendment on which he/she spoke was carried);
 - (d) In exercise of a right of reply;
 - (e) On a point of order; and
 - (f) By way of personal explanation.
- 10.6 (a) An amendment to a motion must be relevant to the motion and will either be:
- (i) To refer the matter to an appropriate body or individual for consideration or reconsideration;
 - (ii) To leave out words;
 - (iii) To leave out words and insert or add others; or
 - (iv) To insert or add words.
- As long as the effect of (ii) to (iv) is not to negate the motion.
- (b) Only one amendment may be moved and discussed at any one time. No further amendment may be moved until the amendment under discussion has been disposed of.
 - (c) If an amendment is not carried, other amendments to the original motion may be moved.
 - (d) If an amendment is carried, the motion as amended takes the place of the original motion. This becomes the substantive motion to which any further amendments are moved.
 - (e) After an amendment has been carried, the Chair or an officer nominated by the Chair will read out the amended motion before accepting any further amendments, or if there are none, put it to the vote.
- 10.7 (a) A Member may alter a motion of which he/she has given notice with the consent of the meeting. The meeting's consent will be signified without discussion.
- (b) A Member may alter a motion which he/she has moved without notice with the consent of both the meeting and the seconder. The meeting's consent will be signified without discussion.
 - (c) Only alterations which could be made as an amendment may be made.

- 10.8 A Member may withdraw a motion which he/she has moved with the consent of both the meeting and the seconder. The meeting's consent will be signified without discussion. No Member may speak on the motion after the mover has asked permission to withdraw it unless permission is refused.
- 10.9 (a) The mover of a motion has a right to reply at the end of the debate on the motion, immediately before it is put to the vote.
- (b) If an amendment is moved, the mover of the original motion has the right of reply at the close of the debate on the amendment, but may not otherwise speak on it.
- (c) The mover of the amendment has no right of reply to the debate on his/her amendment.
- 10.10 When a motion is under debate, no other motion may be moved except the following procedural motions:
- (a) To withdraw a motion;
- (b) To amend a motion;
- (c) To proceed to the next business;
- (d) That the question be now put;
- (e) To adjourn a debate;
- (f) To adjourn a meeting;
- (g) To exclude the public and press in accordance with the Access to Information requirements set out in Paragraph 18.
- 10.11 (a) A Member may move, without comment, the following motions at the end of a speech of another member:
- (i) To proceed to the next business;
- (ii) That the question be now put;
- (iii) To adjourn a debate; or
- (iv) To adjourn a meeting;
- (b) If a motion to proceed to next business is seconded and the Chair thinks the item has been sufficiently discussed, he/she will give the mover of the original motion a right of reply and then put the procedural motion to the vote.
- (c) If a motion that the question be now put is seconded and the Chair thinks the item has been sufficiently discussed, he/she will put the procedural motion to the vote. If it is passed he/she will give the mover of the original motion a right of reply before putting his/her motion to the vote.
- (d) If a motion to adjourn the debate or to adjourn the meeting is seconded and the Chair thinks the item has not been sufficiently discussed and cannot reasonably be so discussed on that occasion, he/she will put the procedural motion to the vote without given the mover of the original motion the right to reply.
- 10.12 A Member may raise a point of order at any time. The Chair will hear him/her immediately. A point of order may only relate to an alleged breach of the Standing Orders or the Law. The Member must indicate the Standing Order or law

and the way in which he/she considers it has been broken. The ruling of the Chair on the matter will be final.

- 10.13 A member may make a personal explanation at any time. A personal explanation may only relate to some material part of an earlier speech by the Member which may appear to have been misunderstood in the present debate. The ruling of the Chair on the admissibility of a personal explanation will be final.
- 10.14 Subject to the right of the statutory officers to speak on matters relating to their duties Members may determine at any meeting whether or not officers shall be entitled to speak and the extent to which they may speak.

11 PREVIOUS DECISIONS AND MOTIONS

- 11.1 A motion or amendment to rescind a decision made at a meeting of the Management Committee within the past six months cannot be moved unless the notice of motion is signed by at least three Member Authorities.
- 11.2 A motion or amendment in similar terms to one that has been rejected at a meeting of the Management Committee in the past six months cannot be moved unless the notice of motion or amendment is signed by at least three Member Authorities. Once the motion or amendment is dealt with, no one can propose a similar motion or amendment for six months.

12 VOTING

- 12.1 Unless otherwise provided by these Standing Orders any matter will be decided by a simple majority of those Members voting and present in the room at the time the question was put. Member Authorities are entitled to one vote each.
- 12.2 If there are equal numbers of votes for and against, the Chair will have a second or casting vote. There will be no restriction on how the Chair chooses to exercise a casting vote.
- 12.3 Subject to Standing Order 12.4 and 12.5 the Chair will take the vote by show of hands, or if there is no dissent, by the affirmation of the meeting.
- 12.4 The vote will take place by ballot if two Member Authorities present at the meeting demand it. The Chair will announce the numerical result of the ballot immediately the result is known.
- 12.5 If three Member Authorities present at that meeting demand it, the names for and against the motion or amendment or abstaining from voting will be taken down in writing and entered into the minutes. A demand for a recorded vote will override a demand for a ballot.
- 12.6 Where any Member Authority requests it immediately after the vote is taken, their vote will be so recorded in the minutes to show whether they voted for or against the motion or abstained from voting.
- 12.7 If there are more than two Members nominated for any position to be filled and there is not a clear majority of votes in favour of one Member, then the name of the Member with the least number of votes will be taken off the list and a new vote taken. The process will continue until there is a majority of votes for one person.

13 MINUTES

- 13.1 The Chair will sign the minutes of the proceedings at the next suitable meeting. The Chair will move that the minutes of the previous meeting be signed as a correct record.

- 13.2 Minutes will contain all motions and amendments in the exact form and order the Chair put them.

14 RECORD OF ATTENDANCE

- 14.1 All Members present during the whole or part of a meeting must sign their names on the attendance sheets before the conclusion of every meeting to assist with the record of attendance.
- 14.2 All Officers present during the whole or part of a meeting must sign their names on the attendance sheets before the conclusion of every meeting to assist with the record of attendance.

15 EXCLUSION OF PUBLIC

- 15.1 The public and press may only be excluded in accordance with the Access to Information requirements in Paragraph 18 of these Standing Orders or in the event of disturbance in the conduct of the meeting.

16 SUSPENSION AND AMENDMENT OF STANDING ORDERS

- 16.1 Any of these Standing Orders except Standing Order 18 may be suspended by motion on notice or without notice if at least one half of the whole number of the Member Authorities of the Management Committee are present. Suspension can only be for the duration of the meeting.
- 16.2 Any motion to add to, vary or revoke these Standing Orders will, when proposed and seconded stand adjourned, without discussion to the next ordering meeting of the Management Committee.

17 APPLICATION TO SUB-COMMITTEES

- 17.1 These Standing Orders will apply as appropriate to meetings of Sub-Committees.

18 ACCESS TO INFORMATION STANDING ORDERS

18.1 SCOPE

These provisions shall apply to all meetings of the Management Committee and Sub-Committees as appropriate.

18.2 ADDITIONAL RIGHTS TO INFORMATION

These provisions do not affect any more specific rights to information provided by legislation or common law.

18.3 RIGHTS TO ATTEND MEETINGS

The public and press may attend all meetings of the Management Committee subject only to the exceptions in these Standing Orders.

18.4 NOTICES OF MEETINGS

The Management Committee will give at least five clear days' notice of any meeting by posting details of the meeting at County Hall, Bond Street, Wakefield and each Member Authority will receive a copy of that notice.

18.5 ACCESS TO AGENDA AND REPORTS BEFORE THE MEETING

The Secretary to the Joint Committee will make copies of the agenda and reports open to the public available for inspection at County Hall, Bond Street, Wakefield at least five clear days before the meeting. If an item is added to the agenda later, the revised agenda (where reports are prepared after the summons has been sent out) will be open to inspection from the time the item was added to the agenda and the Secretary to the Management Committee shall make each such report available to the public as soon as the report is completed and sent to Members.

18.6 SUPPLY OF COPIES

The Secretary to the Management Committee will supply copies of:

- (a) Any agenda and reports which are open to public inspection;
- (b) Any further statements or particulars necessary to indicate the nature of the items in the agenda; and
- (c) If the Secretary to the Management Committee thinks fit, copies of any other documents supplied to Members in connection with an item to any person on payment of a charge for postage and any other costs.

18.7 ACCESS TO MINUTES, ETC AFTER THE MEETING

The Management Committee will make available copies of the following for six years after a meeting:

- (a) The minutes of the meeting or records of decisions taken, excluding any part of the minutes of proceedings when the meeting was not open to the public or which disclose exempt or confidential information;
- (b) A summary of any proceedings not open to the public where the minutes open to inspection would not provide a reasonably fair and coherent record;
- (c) The agenda for the meeting; and
- (d) Reports relating to items when the meeting was open to the public.

18.8 EXCLUSION OF ACCESS

18.9 Where the Management Committee are considering matters which can be regarded as confidential or exempt information then the Management Committee will be required to consider the need to exclude the public and the press.

18.10 The public and press must be excluded from meetings whenever it is likely in view of the nature of the business to be transacted or the nature of the proceedings that confidential information would be disclosed.

18.11 The public and the press may be excluded from meetings whenever it is likely in view of the nature of the business to be transacted or the nature of the proceedings that exempt information would be disclosed. Where the meeting will determine any person's civil rights or obligations, Article 6 of the Human Rights Act 1998 establishes a presumption that the meeting will be held in public and the press be admitted unless a private hearing is necessary for one of the reasons specified in Article 6.

18.12 Confidential information means information given to the Management Committee by a Government Department on terms which forbid its public disclosure or information which cannot be publicly disclosed by Court Order.

18.13 Exempt information means information falling within the following seven categories (subject to any condition):

Category	Condition
1 Information relating to any individual	Information is exempt information if and so long, as in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information
2 Information which is likely to reveal the identity of an individual	Information is exempt information if and so long, as in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information
3 Information relating to the financial or business affairs of any particular person (including the authority holding that information)	<p>Information is not exempt information if it is required to be registered under:-</p> <ul style="list-style-type: none"> (a) The Companies Act 1985; (b) The Friendly Societies Act 1974; (c) The Friendly Societies Act 1992; (d) The Industrial and Provident Societies Act 1965 to 1978; (e) The Building Societies Act 1986; or (f) The Charities Act 1993 <p>Information is exempt information if and so long, as in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information</p>
4 Information relating to any consultations or negotiations, or contemplated consultations or negotiations, in connection with any labour relations matter arising between the Authority or a Minister of the Crown and employees of, or office holders under, the Authority	Information is exempt information if and so long, as in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information
5 Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings	Information is exempt information if and so long, as in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information

<p>6 Information which reveals that the Authority proposes:-</p> <p>(a) To give under any enactment a notice under or by virtue of which requirements are imposed on a person; or</p> <p>(b) To make an order or direction under any enactment</p>	<p>Information is exempt information if and so long, as in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information</p>
<p>7 Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime</p>	<p>Information is exempt information if and so long, as in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information</p>

18.14 Information is not exempt information if it relates to proposed development for which the local planning authority may grant itself planning permission pursuant to Regulation 3 of the Town and Country Planning General Regulations 1992.

18.15 Information which falls within any of Paragraphs 1 to 7 above is exempt information if and so long, as in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information (The "Public Interest Test").

19 ASSOCIATE MEMBERS

19.1 Standing Orders 1, 2, 7, 10, 13, 14 and 18 will apply to Associate Members except that in relation to Standing Orders 2 and 10 a Member representing an Associate Member cannot move or second a motion.

20 COMMITTEE REPORTS

20.1 Committee Reports shall be in Font Size 12 as a minimum and contain the following information in clearly marked paragraphs:

- Background information
- Recommendations
- Reasons for Recommendations
- Options appraisal (if appropriate)
- Strategic implications
- Consultation (if appropriate)
- Legal implications
- Resources/Financial implications

20.2 A formal written record shall be kept of significant delegated decisions made by officers.

21 INTERPRETATION

21.1 The decision of the Chair of the meeting on the construction of any Standing Order or any question of an Order not provided for by the Standing Order shall be final.

21.2 The reference in these Standing Orders to Member/Members is a reference to the appointed representatives of the member Authorities of the Yorkshire Purchasing Organisation.

21.3 For 'Associate Members' see Paragraph 3(ii) of the Agreement in respect of the operation and management of YPO.

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YPO
AUDIT SUB-COMMITTEE
TO BE HELD ON
22 APRIL 2016

TITLE: PROGRESS ON THE 2016 INTERNAL AUDIT PLAN

REPORT OF: THE s151 OFFICER

1 PURPOSE OF REPORT

1.1 This report is produced by the s151 Officer to provide Members with details of Internal Audit's performance and work during the period February to March 2016.

2 BACKGROUND INFORMATION

2.1 The report attached at Appendix A records details of audit work undertaken between February and March 2016.

2.2 In line with agreed protocols, a further progress report will be submitted to the next meeting of the Audit Sub-Committee.

3 STRATEGIC IMPLICATIONS

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

4 FINANCIAL IMPLICATIONS

4.1 There are no specific financial implications associated with this report. The cost of the audit work is met from the 2016 budget approved by YPO Members.

5 LEGAL IMPLICATIONS

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

6 EQUALITY IMPLICATIONS

6.1 There are no direct implications relating to equality.

7 RISK IMPLICATIONS

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

8 RECOMMENDATION

- 8.1 That Members comment on and endorse the Internal Audit Progress Report attached as Appendix A to this report.

SERVICE DIRECTOR: GRAHAM SAXTON, CHIEF FINANCE MANAGER (WAKEFIELD COUNCIL)

CONTACT OFFICERS: MARK ST ROMAINE, SERVICE MANAGER INTERNAL AUDIT & RISK (WAKEFIELD COUNCIL); CARL TWEED, AUDIT MANAGER (WAKEFIELD COUNCIL)

Telephone No: 01924 302364

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

Telephone No: 01924 306054

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

Internal Audit Progress Report

As At March 2016

REPORT OF: Mark St Romaine, Service Manager – Internal Audit & Risk
(Wakefield Council)
Email address: mstromaine@wakefield.gov.uk

CONTACT OFFICER: Carl Tweed, Audit Manager (Wakefield Council)
Tel. no. 01924 306054
Email address: ctweed@wakefield.gov.uk

PURPOSE OF REPORT

1. The purpose of this report is to:
 - 1.1 Present to the YPO Audit Sub-Committee details of Internal Audit’s performance and work during the period February to March 2016.
 - 1.2 Highlight any significant issues arising from audit work and the current position on implementing agreed actions.
 - 1.3 Consider future audit work.

PROGRESS ON THE 2016 AUDIT PLAN

2. One Internal Audit report was issued in January 2016:
 - Main Financial Systems 2015 – 28/01/16

It was discussed at the Audit Sub-Committee meeting on the 26th February 2016. The completed action plan has now been returned to Internal Audit. For completeness, written details of the actions taken are shown below:

Report	Audit Opinion in Report / Main Messages in Report	Actions Taken By YPO
<p>Main Financial Systems 2015 – 28/01/16</p> <ul style="list-style-type: none"> - Asset Management - Budgetary Control - Business Debtors - Main Accounting - Non-Business Debtors - Ordering and Creditors (Business Creditors) - Ordering and Creditors (Working Expenses and Hired Carriers) - Payroll 	<p style="text-align: center;">Fully Effective</p> <p>In all cases sufficient controls are in place and working effectively in practice. Although considered as being minor areas for improvement, there were a couple of issues which will need to be addressed in order to maintain the fully effective opinion:</p> <ul style="list-style-type: none"> • There are inconsistencies in how the invoices relating to catalogue contributions by suppliers are calculated. There is no protocol in place for dealing with discrepancies between the sales figure quoted by a supplier and the sales figure records 	<p>Actions taken based on information supplied by YPO include:</p> <ul style="list-style-type: none"> • A protocol is now in place for dealing with discrepancies between the sales figure quoted by a supplier and the sales figure records held by YPO. • The Finance Business Partner is liaising with the Financial Controller to identify for management review significant returns both by customer and by item number through the Cost of Quality work that is being undertaken.

Report	Audit Opinion in Report / Main Messages in Report	Actions Taken By YPO
- Stock Control	<p>held by YPO.</p> <ul style="list-style-type: none"> • ISYS (the stock Masterfile) cannot detail the stock write-offs by item number with sufficient detail to establish which customers have returned that item. 	

3. As at the date of producing this report, the following Internal Audit work is ongoing:
 - 3.1 IT interface controls relating to information transferred from source to another application.
 - 3.2 Security Arrangements.
4. In terms of Internal Audit's performance against its own local Key Performance Indicators, the position as at March 2016 is summarised below:
 - 4.1 A calendar year plan was agreed covering the period 1st January 2016 to 31st December 2016. The Internal Audit Service is on target to deliver jobs in line with the agreed plan.
 - 4.2 One client survey has been issued so far in 2016, following completion of the audit assignment on Main Financial Systems. It was returned, with an overall opinion of 'Very Good'.
 - 4.3 All Internal Audit work is subject to a quality control process, including formal review of work by the appropriate level of audit management.

WORK PRIORITIES FOR THE NEXT FEW MONTHS


5. The first priority for the next few months will be to progress the audits on IT interface controls and Security Arrangements. In addition, liaison will take place with YPO management to agree on the timings for the proposed audits on Business Performance Management, Fleet Replacement / Third Party Logistics, and Electronic payments / credit cards etc. It has already been agreed that the audit on Business Planning will take place between July and September 2016, and Main Financial Systems will be audited between July and December 2016.

OUTSTANDING REPLIES TO AUDIT REPORTS

6. There are no replies outstanding in respect of recent audit reports.

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	<p>YPO</p> <p>AUDIT SUB COMMITTEE</p> <p>TO BE HELD ON</p> <p>22ND APRIL 2016</p>
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TITLE: UPDATE ON YPO'S ERP REPLACEMENT PROGRAMME

REPORT OF: GAVIN RIMMINGTON, HEAD OF BUSINESS CHANGE & IT

1. PURPOSE OF REPORT

1.1 Provide a periodic overview of the progress of key projects & programmes in YPO's current Business Change Portfolio.

2. BACKGROUND INFORMATION

Current Project Dossier as of April 2016	
Project	Key Activity / Progress
Data & Reporting Project	<ul style="list-style-type: none"> The existing Business Case is being reviewed and will be presented at the April D&R project board. The Financial Sales Database was released with positive feedback. Work on the next Database, framework spend is well underway.
	<p><i>Summary of Major Risks & Mitigation</i></p> <ul style="list-style-type: none"> <u>User Acceptance</u> – a train the trainer approach was developed, tracking of usage by the project team, use of the system for key business activities such as catalogue production are clearly evident. <u>Data reliability</u> – fully experienced and dedicated MI team, full testing of data loads and feeds prior to DB's being release, full reconciliation of data from source data systems occurs.
ERP Programme	<ul style="list-style-type: none"> The ERP programme manager started with YPO at the beginning of April. A communication and branding workshop is being held in April to ensure that this key strand of activity has a clear emphasis. A new name for the programme will be created. The tender documents for a partner to assist YPO in deploying a new system (Nav) are nearing completion.
	<p><i>Summary of Major Risks & Mitigation</i></p>

	<ul style="list-style-type: none"> • <u>Departure of key staff</u> – <i>inherent risk with all projects, full documentation, sharing of knowledge where feasible between staff, use of internal staff, as soon a key member of staff is at risk of departure clear statements of work created to ensure structured handover occurs.</i> • <u>Requirements sign off</u> – <i>over 12 months spent capturing requirements via an experienced Business Analyst, play back and sign off of requirements by key stakeholders.</i>
SharePoint Project	<ul style="list-style-type: none"> • The project is now moving into its formal closure stage with relevant closure documentation and workshops taking place. • An archiving solution has been agreed for each site collection, a test site has been created. The approach will be aligned with guidance being updated in relation to YPO’s retention policy and creation of Information Asset Owners. • Further training and awareness continues for key users on SharePoint. <p>Summary of Major Risks & <i>Mitigation</i></p> <ul style="list-style-type: none"> • <u>Adapting to new ways of working</u> – <i>Initial business requirements gathered, robust training plan, establishment of a champion’s network to share good practice and system innovation, continuation of key support mechanisms post project closure.</i> • <u>Document control</u> – <i>ensure that there is a clear crossover period between SharePoint and network drives, continually communicate and monitor use of SharePoint and network drives, disable network drives and move over to read only at the end of the crossover period.</i>

2 STRATEGIC IMPLICATIONS

3.1 The projects currently in the programme are a key plank of YPO’s 3 year strategy (2015-17) and continuation from the previous three year strategy.

3 FINANCIAL IMPLICATIONS

3.1 Financial implications have been considered in previous year’s business planning cycles and detailed business cases exist at a project level.

4 LEGAL IMPLICATIONS

4.1 Legal and procurement advice has been provided in relation to the procurement approach used in the respective system procurements, adhering to YPO’s standing orders.

5 EQUALITY IMPLICATIONS

5.1 None.

6 RISK IMPLICATIONS

6.1 Major IT, project and programme risks are monitored in accordance with YPO's risk management policy.

7 RECOMMENDATION

7.1 That the contents of this report are noted and the addition of more information on major risks for each project following feedback from February's committee is deemed acceptable.

SERVICE DIRECTOR: PAUL SMITH, EXECUTIVE DIRECTOR

CONTACT OFFICER: GAVIN RIMMINGTON, HEAD OF BUSINESS CHANGE & IT

Yorkshire Purchasing Organisation
41 Industrial Park
Wakefield
WF2 0XE

Telephone No: 01924 836993
E-mail address: gavin.rimmington@ypo.co.uk

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