

Chief Executive

Merran McRae – Chief Executive

Your Ref.  
Our Ref

Please Reply To **Kayley Sykes**  
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Date 21 June 2018

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Typetalk calls welcome

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

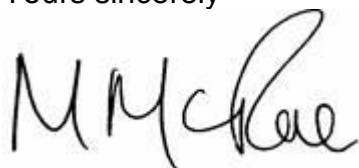
**Chief Executive of the Constituent Authorities (for information)**

Dear Councillor

**YORKSHIRE PURCHASING ORGANISATION MANAGEMENT COMMITTEE MEETING  
– FRIDAY, 29 JUNE 2018**

You are invited to a meeting of the Management Committee of the Yorkshire Purchasing Organisation Joint Committee which is to be held at **10:30 am on Friday, 29 June 2018** at the **YPO HQ, 41 Industrial Park, Wakefield** to consider the items set out in the agenda detailed overleaf.

Yours sincerely



Merran McRae  
Secretary to the Joint Committee

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

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

**YORKSHIRE PURCHASING ORGANISATION MANAGEMENT COMMITTEE -  
Friday, 29 June 2018**

**AGENDA**

1. Members Declaration of Interest.
2. Membership of the YPO Management Committee. (Pages 1 - 2)
3. Apologies for Absence.
4. Election of Chair.  
Nominations are requested for the position of Chair of the Management Committee who in turn would become the Chair of the Executive Sub-Committee and Joint Consultative Committee/ Appointments Sub-Committee for the year 2018/19.
5. Election of Vice Chair.  
Nominations are requested for the position of Vice Chair of the Management Committee who in turn would become the Vice Chair of the Executive Sub-Committee and Joint Consultative Committee/ Appointments Sub-Committee for the year 2018/19.
6. To note any items which the Chairman has agreed to add to the agenda on the grounds of urgency.
7. To approve, as a correct record, the Minutes of the Management Committee held on 23rd March 2018. (Pages 3 - 6)
8. To approve, as a correct record, the minutes of the Audit & Scrutiny Sub Committee held on 25th May 2018. (Pages 7 - 9)
9. To approve, as a correct record, the minutes of the Executive Sub Committee held on 8th June 2018. (Pages 11 - 13)
10. Appointments to Sub-Committees & Joint Consultative Committee. (Pages 15 - 19)
11. Annual Report. (Pages 21 - 22)
12. Audited Accounts - For Information only. (Pages 23 - 62)
13. Governance Review. (Pages 63 - 64)
14. Standing Orders. (Pages 65 - 66)
15. Terms of Reference & Work Programme. (Pages 67 - 83)
16. Lead Authority Issues.
17. In relation to reports containing exempt information to consider, and if approved, pass the following resolution:-  
“That the public and press be excluded from the meeting for

consideration of agenda items 18 to 22 on the grounds that they are likely to involve the disclosure of exempt information as described in Part 1 of Schedule 12A to the Local Government Act 1972, as amended.”

**IN PRIVATE**

- |     |                                 |                  |
|-----|---------------------------------|------------------|
| 18. | Business Update.                | (Pages 85 - 87)  |
| 19. | Dividend Distribution.          | (Pages 89 - 93)  |
| 20. | Report of Independent Director. | (Pages 95 - 96)  |
| 21. | Investment Proposal.            | (Pages 97 - 98)  |
| 22. | Succession Planning.            | (Pages 99 - 103) |
| 23. | Date and Time of Next Meeting.  |                  |

The next meeting is proposed to be held on 30<sup>th</sup> November 2018.





**TITLE: MEMBERSHIP OF THE MANAGEMENT COMMITTEE OF THE YPO JOINT COMMITTEE 2018/19**

**REPORT OF: MANAGING DIRECTOR**

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**1. BACKGROUND INFORMATION**

- 1.1 To receive nominations from the Constituent Authorities in relation to membership of the Management Committee of the YPO Joint committee for the 12 month period commencing June 2018.
- 1.2 Information has been received from all Authorities with regard to their representation on the Management Committee for 2018 into 2019. Where substitute member places are left blank, no substitutes have been nominated.

<b>AUTHORITY</b>	<b>REPRESENTATIVES</b>	<b>SUBSTITUTE(S)</b>
Barnsley MBC	Councillors Gardiner & Barnard	
Bradford MDC	Councillors Warburton & Whiteley	Councillors Lal & Ellis
Bolton MBC	Councillors Morris & Whitehead	Councillors Thomas & Iqbal
Calderdale MBC	Councillors Scullion & Carter	
Doncaster MBC	Councillors Cole & Nightingale	
Kirklees MBC	Councillors Asif & Mather	Councillors Hughes & O'Donovan
Knowsley MBC	Councillors Aston & Walsh	
North Yorkshire CC	Councillors Mackenzie & Dadd	Councillor Les
Rotherham MBC	Councillors Atkin & Vjestica	Councillor Buckley
St Helens MBC	Councillors Johnson & Wiseman	
Wakefield MDC	Councillors Shaw & Graham	Councillor Morley
Wigan MBC	Councillors Walker & Rehman	Councillors Dawber & Stitt
City Of York	Councillors Rawlings & Cuthbertson	Councillor Reid

**2. RECOMMENDATION**

- 2.1 That Members note the content of the report.

**3 STRATEGIC IMPLICATIONS**

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

**4 LEGAL IMPLICATIONS**

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

## 5 FINANCIAL IMPLICATIONS

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

### **SERVICE DIRECTOR: SIMON HILL, MANAGING DIRECTOR**

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### **CONTACT OFFICER: KAYLEY SYKES, BUSINESS SERVICES MANAGER**

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**YORKSHIRE PURCHASING ORGANISATION MANAGEMENT COMMITTEE**

**Friday 23<sup>rd</sup> March 2018**

**Present:**    **Barnsley MBC**  
                   Councillor Gardiner  
                   Councillor Barnard

**City of Bradford**  
                   Councillor Warburton  
                   Councillor Whiteley

**North Yorkshire CC**  
                   Councillor Dadd

**Rotherham MBC**  
                   Councillor Atkin  
                   Councillor Vjestica

**Wakefield MDC**  
                   Councillor Shaw  
                   Councillor Johnson

**Wigan MBC**  
                   Councillor Walker

**City of York**  
                   Councillor Cuthbertson

<b>21:</b>	<b>Members Declaration of Interest</b>
	No declarations of interest were made by Members.
<b>22</b>	<b>Apologies for Absence</b>
	Apologies for absence submitted prior to the meeting were accepted on behalf of Councillors Scullion (Calderdale), Johnson (St Helens), Iqbal (Bolton), Mackenzie (North Yorkshire), Mather (Kirklees), Asif (Kirklees), Sweeney (Wigan), Waller (York), Mercer (York), Rawlings (York), Bryon (Knowsley).
<b>23:</b>	<b>Urgent Items</b>
	No urgent items discussed.
<b>24:</b>	<b>Minutes of the Management Committee – 24 November 2017</b>
	<b>Resolved</b> – (1) That the Minutes of the meeting of the YPO Management Committee held on 24 November 2017 be accepted as a correct record.
<b>25:</b>	<b>Minutes of the Executive Sub Committee – 9 March 2018</b>
	<b>Resolved</b> – (1) That the Minutes of the meeting of the Executive Sub Committee held on 9 March 2018 be accepted as a correct record.
<b>26:</b>	<b>Minutes of the Audit &amp; Scrutiny Sub-Committee – 16 February 2018</b>
	<b>Resolved</b> – (1) That the Minutes of the meeting of the Audit & Scrutiny Sub Committee held on 16 February 2018 be accepted as a correct record.

<b>27:</b>	<b>Pre- Audit Statement of Accounts</b>
	<p>Consideration was given to the report presented by the Executive Director which provided Members with the details of the Pre-Audit Statement of Accounts 2017, attached as Appendix 1 and to inform Members of the public notice of the commencement of the audit and public inspection period.</p> <p><b>Resolved</b> - (1) That the Pre-Audit Statement of Accounts 2017 is noted by Members.</p>
<b>28:</b>	<b>Internal Audit Report</b>
	<p>Consideration was given to the report of the Section 151 Officer which presented the draft Annual Audit Report (see attached Appendix A) for 2017, in line with the requirements of the Internal Audit Protocol and the Public Sector Internal Audit Standards (PSIAS).</p> <p>To receive the following Internal Audit Opinion (extract from YPO Annual Governance Statement [AGS] 2017):</p> <p>“From the work undertaken by Internal Audit during 2017, key controls were found to be in place to manage associated risks to the required level, with no significant errors, losses or omissions identified in the majority of systems subject to review.”</p> <p><b>Resolved</b> - (1) That the Annual Audit report, as detailed in Appendix A, be accepted.</p> <p>(2) That the Internal Audit Progress report, as detailed in Appendix B, be endorsed.</p>
<b>29:</b>	<b>Internal Audit Plan</b>
	<p>Consideration was given to the report of the S151 Officer which provided Members with the Draft Internal Audit Plan 2018 – 2021.</p> <p><b>Resolved</b> – (1) That the draft Annual Audit Plan 2018 be approved.</p>
<b>30:</b>	<b>Standing Orders and Financial Procedure Rules</b>
	<p>The Managing Director presented the Standing Orders and Financial Procedure Rules.</p> <p>The Contract Standing Orders and Financial Procedure Rules have been reviewed to ensure compliance with the current law. Members were advised of two minor changes to the document.</p> <p><b>Resolved</b> – (1) That the revised Standing Orders for Contracts and Financial Procedure Rules, attached as Appendix 1, be approved and used by YPO, and that at Paragraph 8.3 of the Financial Procedure Rules, be amended to say “Where expenditure is incurred on investment projects without first being included in an approved investment requirement statement, in accordance with the Scheme of Delegation, the Managing Director will consult the Chief Financial Officer, and the Chairman, or Vice-Chairman of the Management</p>

	<p>Committee, and one other member of the Management Committee, and present a report at the next meeting of the Management Committee. This also applies to overspends on approved statements, in excess of the limit set out in Appendix 2” and the other member of the Management Committee to be consulted, for the time being, is Cllr Jackie Whiteley of Bradford.</p> <p>(2) That the Financial Procedure Rules &amp; Standing Orders Relating to Contracts are considered bi-annually moving forward unless there are any material changes.</p>
<b>31:</b>	<b>Lead Authority Issues</b>
	No Lead Authority issues were raised.
<b>33:</b>	<b>Exclusion of the Public &amp; Press</b>
	<b>Resolved</b> - That the public and press be excluded from the meeting during consideration of Agenda Items 13 to 15 on the grounds that they were likely to involve the disclosure of exempt information as described in Part 1 of Schedule 12A to the Local Government Act 1972, as amended.
	<b>IN PRIVATE</b>
<b>34:</b>	<b>Dividend Distribution (Exempt)</b>
	<p>Members considered the report of the Executive Director in relation to the distribution of the profits for the 2017 financial year.</p> <p><b>Resolved</b> – (1) That the dividend distribution for 2017 be based on the formula as per section 4.3 in the Dividend Distribution report.</p> <p>(2) That the dividend distribution amount for 2017 is agreed as per section 4.1 in the Dividend Distribution report.</p>
<b>35:</b>	<b>Business Update (Exempt)</b>
	<p>The Managing Director presented the Business Update which provided Members with an update on activities of the organisation since the last Management Committee and provided an overview on forthcoming activities and challenges.</p> <p>The report included an update on the organisations operational, financial, procurement, commercial, infrastructure, workforce and strategic issues.</p> <p><b>Resolved</b> - (1) That the Business Update be noted.</p> <p>(2) That the organisations sickness figures to be added to the Performance Report going forward.</p> <p>(3) That Members agreed the request for delegated powers as per paragraph 9.1. The three Members with delegated powers were agreed as Cllr Shaw (Wakefield), Cllr Walker (Wigan) and Cllr Whiteley (Bradford).</p>

	(5) That the Members with delegated powers have authority up to the amount of £500k.
<b>36:</b>	<b>Report of Independent Director (Exempt)</b>
	Members gave consideration to a report of the Independent Director which detailed his observation of the organisation since November.  <b>Resolved</b> - (1) That the Report of the Independent Director be noted.
<b>37:</b>	<b>DATE AND TIME OF NEXT MEETING</b>  <b>Resolved</b> – That the next meeting of the YPO Management Committee will be held on 29 <sup>th</sup> June 2018 at 10.30am.

**YORKSHIRE PURCHASING ORGANISATION**

**AUDIT & SCRUTINY SUB-COMMITTEE**

**FRIDAY, 25<sup>TH</sup> MAY 2018**

**Present:**     The Chair: Councillor Warburton (Bradford)

Councillors: Barnard (Barnsley), Vjestica (Rotherham), Scullion (Calderdale) and Cuthbertson (York).

<b>49.</b>	<b>CHAIR'S INTRODUCTION &amp; WELCOME</b>
	Councillor Warburton welcomed all parties to the meeting.
<b>50.</b>	<b>ACCEPTANCE OF APOLOGIES FOR ABSENCE</b>
	Apologies for absence submitted prior to the meeting were accepted on behalf of Councillors Gardiner (Barnsley), Dadd (North Yorkshire), Sweeney (Wigan), Nightingale (Doncaster), & Mather (Kirklees).
<b>51.</b>	<b>MEMBERS DECLARATION OF INTEREST</b>
	No declarations of interest were made.
<b>52.</b>	<b>URGENT ITEMS</b>
	No urgent items were raised by Members. Councillor Warburton shared that he would like Officers to provide a GDPR update during the agenda today.
<b>53.</b>	<b>PREVIOUS MINUTES (AUDIT &amp; SCRUTINY SUB COMMITTEE)</b>
	The minutes of the YPO Audit & Scrutiny Sub-Committee held on 16 <sup>th</sup> February 2018 were approved as a correct record.
<b>54.</b>	<b>EXTERNAL AUDIT REPORT</b>
	Consideration was given to the External Audit Report from KPMG which provided Members with key findings from the recent audit.
	Rashpal Khangura (KPMG) shared that the report gives a clean audit and clean value for money conclusion.
	Rashpal thanked YPO for their support during the audit process and noted that it had been a smooth process and the finance team were very well prepared.
	<b>Resolved</b> – (1) That the report be noted.
<b>55.</b>	<b>AUDITED STATEMENT OF ACCOUNTS</b>
	Consideration was given to a report of the Head of Finance which detailed the 2017 Audited Statement of Accounts.
	The Audited Statement of Accounts have been externally audited and the auditors anticipate an unqualified opinion.

	<p>Both Officers and Members offered their thanks to KPMG for their assistance and hard work in completing the accounts.</p> <p><b>Resolved</b> – (1) That the completion of the Audited Statement of Accounts for 2017, attached as Appendix 2, be noted.</p> <p>(2) That the Members of the Audit &amp; Scrutiny Sub Committee recommend sign off of the accounts to the Chair of the Management Committee, Councillor Shaw.</p>
<b>56.</b>	<b>AUDIT &amp; SCRUTINY SUB COMMITTEE TERMS OF REFERENCE &amp; WORK PROGRAMME</b>
	<p>Consideration was given to the report of the Managing Director which provided members with an overview of the work scheduled for the 2018/19 committee cycle.</p> <p>The report also proposed the Terms of Reference, Principal Agenda Items, 2018/19 Meeting Schedule and Training Plan.</p> <p><b>Resolved</b> – (1) That the report be noted and submitted to the Annual General Meeting June.</p> <p>(2) That the Terms of Reference be updated to reflect that three Audit &amp; Scrutiny Sub Committee meetings will take place per Committee cycle.</p>
<b>57.</b>	<b>GOVERNANCE REVIEW</b>
	<p>Consideration was given to a report of the Managing Director entitled Governance Review.</p> <p>The report explained that YPO has various governance policies and these are reviewed at least annually by the Board, any changes to these policies are brought to Management Committee for approval.</p> <p>The report detailed when each policy was last reviewed and any proposed action by the Board.</p> <p><b>Resolved</b> - (1) That the Audit &amp; Scrutiny Sub Committee recommends to the Management Committee the proposals outlined in table 1.2.</p>
<b>58.</b>	<b>INTERNAL AUDIT PROGRESS</b>
	<p>Consideration was given to a report which detailed the Internal Audit's progress and work during the period January to March 2018 and to note the contents therein.</p> <p><b>Resolved</b> – (1) That the report be noted.</p>
<b>59.</b>	<b>LEAD AUTHORITY SLA COSTS</b>
	<p>Consideration was given to the report of the Head of Finance, which provided Members with a breakdown of costs made to the Lead Authority (Wakefield Metropolitan District Council) in the 2017 financial year.</p>

	<p>All services provided by the Lead Authority are provided in accordance with the Management Agreement and established Service Level Agreements.</p> <p><b>Resolved</b> – (1) That the report be noted.</p>
<b>60.</b>	<b>RISK APPETITE – FOR INFORMATION ONLY</b>
	<p>The Executive Director (Paul Smith) shared a report and presentation to Members to outline that the further work proposed will help provide a better understanding of YPO's risk appetite, and how it influences YPO's risk management arrangements.</p> <p>The presentation highlighted what YPO's current Risk Management Policy and Strategic Framework outlines.</p>
<b>61.</b>	<b>EXCLUSION OF THE PUBLIC AND PRESS</b>
	<p><b>Resolved</b> – That the public and press be excluded from the meeting during consideration of agenda items 14 to 16 on the grounds that they are likely to involve the disclosure of exempt information as described in Part 1 of Schedule 12A to the Local Government Act 1972, as amended.</p>
<b>62.</b>	<b>IT PROGRAMME UPDATE (EXEMPT – PARAGRAPH 3)</b>
	<p>Consideration was given to the report of the Head of Business Change &amp; IT which provided Members with an update on the current project dossier.</p> <p>The report summarised the major risks and mitigation for each project and Members were informed that the Board review the activity and progress on the IT Programme on a monthly basis at the Programme Board Meeting.</p> <p><b>Resolved</b> – (1) That the report be noted.</p>
<b>63.</b>	<b>PROCUREMENT SERVICES STRATEGY (EXEMPT – PARAGRAPH 3)</b>
	<p>The Executive Director (Paul Smith) shared the YPO Procurement Strategy for 2018 and provided Members with an update on current activity.</p> <p>YPO continues to grow its Procurement Services department which is now a significant revenue contributor to the organisation. The growth of the function is underpinned by five strategic key themes:</p> <ul style="list-style-type: none"> <li>• Training and development</li> <li>• Category &amp; Market Intelligence</li> <li>• Commercial Results</li> <li>• Social Values &amp; the Environment</li> <li>• Suppliers &amp; Supply Chain</li> </ul> <p><b>Resolved</b> – (1) That the report be noted.</p>
<b>64.</b>	<b>DATE AND TIME OF NEXT MEETING</b>
	<p><b>Resolved</b> – (1) That the next meeting of the YPO Audit &amp; Scrutiny Sub Committee is proposed to be held on 2<sup>nd</sup> November 2018.</p>

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**YORKSHIRE PURCHASING ORGANISATION EXECUTIVE SUB-COMMITTEE**

**8<sup>th</sup> JUNE 2018**

**Present:** The Chair: Councillor Shaw (Wakefield)  
 Councillors: Atkin (Rotherham), Mackenzie (North Yorkshire),  
 Whiteley (Bradford), Walsh (Knowsley), Rawlings (York).

<b>73:</b>	<b>CHAIR'S INTRODUCTION &amp; WELCOME</b>
	The Chair, Councillor Shaw, welcomed Members to the meeting.
<b>74:</b>	<b>APOLOGIES FOR ABSENCE</b>
	Apologies for absence submitted prior to the meeting were accepted on behalf of Councillor Aston (Knowsley), Councillor Morris (Bolton), Councillor Johnson (St Helens).
<b>75:</b>	<b>MEMBERS DECLARATION OF INTEREST</b>
	Councillor Rawlings (York) requested a Members Declaration of Interest Form and gave a pecuniary interest in relation to a YPO competitor. Chair acknowledged and thanked Councillor Rawlings.
<b>76:</b>	<b>URGENT ITEMS</b>
	No items were discussed.
<b>77:</b>	<b>MINUTES – 9<sup>th</sup> MARCH 2018</b>
	<b>Resolved</b> – (1) That the Minutes of the meeting of the YPO Executive Sub-Committee held on 9 <sup>th</sup> March 2018 be approved as a true and accurate record.
<b>78:</b>	<b>LEAD AUTHORITY ISSUES</b>
	No Lead Authority issues were discussed.
<b>79:</b>	<b>EXECUTIVE SUB COMMITTEE WORK PROGRAMME AND TERMS OF REFERENCE</b>
	A report of the Managing Director provided an overview of the work scheduled for Executive Sub-Committee for the 2018/19 cycle.  This report also proposed the Terms of Reference, Principal Agenda Items, 2018/19 Meeting Schedule and Training Schedule.  Chair reminded Members to make sure they have a briefing with Officers prior to meetings as all papers are consulted with the Strategic Officers before they are submitted to Committee Meetings.

	<p><b>Resolved</b> - (1) That the report be noted and submitted to the Annual General Meeting.</p>
<b>80:</b>	<b>EXCLUSION OF THE PUBLIC AND PRESS</b>
	<p><b>Resolved</b> – That the public and press be excluded from the meeting during consideration of Agenda Items 9 to 11 on the grounds that they are likely to involve the disclosure of exempt information as described in Part 1 of Schedule 12A to the Local Government Act 1972 as amended.</p>
<b>81:</b>	<b>FINANCIAL PERFORMANCE REPORT (EXEMPT)</b>
	<p>The Executive Director (Paul Smith) presented the report detailing the half year performance results for the Organisation. The report reviewed the year to date results and forecasted outturn position against the budget for the year and comparisons against 2017.</p> <p>Councillors asked for more detail and clarification around a number of points and were satisfied with the responses provided by Officers.</p> <p>Chair welcomed the report and asked the Board of Directors to thank the team for all their efforts.</p> <p><b>Resolved</b> – (1) That the Financial Performance Report be acknowledged and noted.</p>
<b>82:</b>	<b>BUSINESS UPDATE (EXEMPT)</b>
	<p>The Managing Director presented the Business Update which provided Members with an update on activities of the organisation since the last sub-committee and provided an overview on forthcoming activities and challenges.</p> <p><b>Resolved</b> – (1) That the report be noted.</p>
<b>83:</b>	<b>INVESTMENT PROPOSAL (EXEMPT)</b>
	<p>The Managing Director provided Members with an update on the progress of the Investment Proposal and provided some anticipated timescales.</p> <p><b>Resolved</b> – (1) That Members note the content of the report.</p>
<b>84:</b>	<b>DATE AND TIME OF NEXT MEETING</b>
	<p><b>Resolved</b> – (1) That the next meeting of the YPO Executive Sub Committee is proposed for 16<sup>th</sup> November 2018, 10.30am.</p>



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	<p style="text-align: center;"><b>YPO</b></p> <p style="text-align: center;"><b>MANAGEMENT COMMITTEE</b></p> <p style="text-align: center;"><b>TO BE HELD ON</b></p> <p style="text-align: center;"><b>29<sup>TH</sup> JUNE 2018</b></p>
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**TITLE: APPOINTMENTS TO SUB-COMMITTEES AND JOINT CONSULTATIVE COMMITTEE 2018/19**

**REPORT OF: MANAGING DIRECTOR**

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**1. BACKGROUND INFORMATION**

- 1.1 To receive nominations from the Constituent Authorities in relation to membership of Sub-Committees and the Joint Consultative Committee and to determine the membership for those meetings for the 12 month period commencing June 2018.
- 1.2 YPO's governance arrangements include a Management Committee that is made up of two representatives from each of the 13 Founder Member Authorities. The role of this Committee is to develop and monitor the strategic direction and performance of the organisation. The Management Committee is supported by a number of Sub-Committees, each with a different focus.
- 1.3 The Executive Sub-Committee has a membership of nine members drawn from the Management Committee (including the Chair and Vice Chair of the Management Committee) and meet three times during the year. Its primary purpose is to review the performance of the organisation, ensure delivery of the agreed strategy and review the performance of the Managing Director.
- 1.4 The Audit & Scrutiny Sub-Committee has a membership of sixteen members drawn from the Management Committee who meet three times during the year. Its primary purpose is to undertake the duties of 'those charged with governance' under delegation from the Management Committee. The Audit & Scrutiny Sub-Committee has delegated powers to sign off the annual financial statements and annual governance report on behalf of the Management Committee and ensure it has sufficient information and knowledge to undertake those duties. The committee scrutinises strategies and actions of the YPO management team and provides feedback, comment and recommendations.
- 1.5 The table shown in appendix one sets out the individual Member preferences received or, in the absence of an expressed preference, an indication of the Sub-Committee meetings that the Council's representative attended last year.
- 1.6 In total there are 30 places available, four of which are taken up automatically by the Chair and Vice Chair of the Management Committee, who also act as Chair and Vice Chair of the Executive Sub-Committee and JCC/Appointments Sub-Committee.
- 1.8 Twenty six places therefore remain for the other twenty four members of the

Management Committee.

1.9 Table of Preferences Received 2018 - The attached report details the preferences received by YPO. The Chair and Vice Chair of the Management Committee automatically assume those same roles on both the Executive Sub-Committee and the JCC/Appointments Sub-Committee. If Member preferences received should exceed the number of places available on each Sub-Committee, Members of the Management Committee would be required to determine, by way of a vote, the successful representation on an oversubscribed Sub-Committee. As yet, this situation has not arisen.

1.10 Where preferences have already been received, as noted in appendix 1, they can be accommodated in full and Members are asked whether the remaining places on Sub-Committees should be made in line with last year's membership, providing no contrary preference is expressed. Should an alternative method of allocating places be preferred, this would need to produce memberships in line with the Sub-Committee Terms of Reference.

## **2 RECOMMENDATION**

2.1 That the Secretary to the Joint Committee be given authority to determine Sub-Committee and Joint Consultative Committee membership for the 12 month period commencing June 2018, in liaison with nominated members and taking into account preferences expressed wherever possible.

## **3 STRATEGIC IMPLICATIONS**

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

## **4 LEGAL IMPLICATIONS**

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

## **5 FINANCIAL IMPLICATIONS**

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

**SERVICE DIRECTOR: SIMON HILL, MANAGING DIRECTOR**

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**APPENDIX**

*Appendix 1 – Table of Preferences for Sub-Committees 2018/19*

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Appointments to Sub-Committees and Joint Consultative Committee 2018/19

	<b>Executive Sub</b>	<b>Audit &amp; Scrutiny Sub</b>	<b>JCC/ Appointments</b>
<b>Barnsley MBC</b>			
1. Barnard		X	
2. Gardiner			X
<b>Bolton MBC</b>			
1. Morris	X		X
2. Mistry		X	
<b>Bradford MDC</b>			
1. Warburton		X	
2. Whiteley	X		X
<b>Calderdale MBC</b>			
1. Scullion		X	
2. Carter		X	
<b>Doncaster MBC</b>			
1. Cole		X	
2. Nightingale		X	
<b>Kirklees MC</b>			
1. Asif		X	
2. Mather		X	
<b>Knowsley MBC</b>			
1. Aston	X	X	
2. Walsh			
<b>North Yorks CC</b>			
1. Mackenzie	X		
2. Dadd		X	
<b>Rotherham MBC</b>			
1. Atkin	X		
2. Vjestica		X	
<b>St Helens MBC</b>			
1. Johnson	X		
2. Wiseman		X	
<b>Wakefield MDC</b>			
1. Shaw	X		X
2. Graham		X	
<b>Wigan MBC</b>			
1. Walker	X		X
2. Rehman		X	
<b>City of York</b>			
1. Rawlings	X		
2. Cuthbertson		X	
<b>Total members required</b>	<b>9</b>	<b>16</b>	<b>5</b>

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**YPO**  
**MANAGEMENT COMMITTEE**  
**TO BE HELD ON**  
**29<sup>TH</sup> JUNE 2018**

**TITLE: ANNUAL REPORT**

**REPORT OF: MANAGING DIRECTOR**

---

## **1. BACKGROUND**

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

## **2. RECOMMENDATIONS**

- 2.1 That Members note the content of the report.

## **3 STRATEGIC IMPLICATIONS**

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

## **4 LEGAL IMPLICATIONS**

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

## **5 FINANCIAL IMPLICATIONS**

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

**SERVICE DIRECTOR: SIMON HILL, MANAGING DIRECTOR**

YPO

41 Industrial Park  
Wakefield WF2 0XE

Telephone No: 01924 834800

E-mail address: [simon.hill@ypo.co.uk](mailto:simon.hill@ypo.co.uk)

**APPENDIX:**

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



**YPO**  
**MANAGEMENT COMMITTEE**  
**TO BE HELD ON**  
**29<sup>TH</sup> JUNE 2018**

**SUBJECT: AUDITED ACCOUNTS**

**REPORT OF: HEAD OF FINANCE AND FINANCIAL CONTROLLER**

---

**1 PURPOSE OF REPORT**

1.1 To present the audited Statement of Accounts for 2017.

**2 SUMMARY**

2.1 The Statement of Accounts 2017 has been externally audited and the auditors anticipate an unqualified opinion.

**3 BACKGROUND**

3.1 In accordance with the Accounts and Audit Regulations, 2015 and taking into account relevant accounting codes of practice and applicable accounting standards, a Statement of Accounts has been prepared.

3.2 Although the compliance noted in 3.1 is no longer mandatory for YPO, as a Joint Committee, it was agreed at Management Committee in March 2016 that a non-statutory audit would still be needed and the accounts would be prepared in line with the relevant standards and regulations each year going forward.

3.2 The pre-audit Statement of Accounts 2017 was approved for external audit at the Audit Sub Committee on 16<sup>th</sup> February 2018.

3.3 The external audit commenced on site from the 12<sup>th</sup> March 2018 until 29<sup>th</sup> March 2018. All follow up questions and issues raised were concluded on the 4<sup>th</sup> May 2018.

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

#### **4 RECOMMENDATION**

- 4.1 That the audited Statement of Accounts be approved for 2017.

#### **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 will be £23k and that amount has been included in the budget for 2018.

#### **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 addresses:** Steven.hall@ypo.co.uk Matt.hirst@ypo.co.uk

**APPENDIX:**

*Appendix 1 – Adjustments made to the pre-audit Statement of Accounts*  
*Appendix 2 – Audited Statement of Accounts 2017*

**APPENDIX 1****2017 Statement of Accounts version tracker**

The below table records all changes made to the 2017 Statement of Accounts from the original submission to February's Audit Sub-committee to the audited version to be submitted to May's Audit & Scrutiny 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 asset position within the balance sheet.

<b>Section / Note</b>	<b>Changes made</b>	<b>Financial impact</b>
Note 8. Plant, Property and Equipment.	Slight changes made to the presentation of the revaluation impact on the Land & Buildings Net Book Value.	nil
Note 8. Plant, Property and Equipment.	The net book value of PPE as at 1.1.16 had not been rolled forward. This has now been corrected.	nil
Note 16. Amounts reported for decision making and planning.	The year headers in the second table had not been rolled forward. This has now been corrected.	nil
Note 7. Medium term financial strategies.	The note makes reference to the MTFs but didn't provide commentary around the strategy. A more detailed commentary of the MTFs has been added.	nil
Various.	Various rounding differences had been highlighted during the audit. These have not been corrected due to the immateriality of the values.	nil

**YORKSHIRE PURCHASING ORGANISATION**



**AUDITED  
STATEMENT  
OF ACCOUNTS  
2017**

41 Industrial Park • Wakefield • WF2 0XE

# Narrative Statement by the Managing Director

## 1. INTRODUCTION

This document is the Statement of Accounts for the Yorkshire Purchasing Organisation. The Statement of Accounts shows the Organisation's financial performance for the year ended 31st December 2017. The Narrative Statement provides a guide to the most significant matters in the financial statements.

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

There are currently 13 founder member authorities and fifty nine associate member authorities of YPO as of 31st December 2017, although the Organisation trades extensively outside the membership area. Management of the organisation reports periodically to a Management Committee of two elected members from each founder member authority.

The membership consists of:

### Founder Member Authorities

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

### Associate Member Authorities

### first year of membership

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

# Narrative Statement by the Managing Director

London Borough of Hackney	2016
London Borough of Waltham Forest	2016
Liverpool City Council	2016
Merseyside Fire and Rescue Service	2016
Merseytravel	2016
Oldham Council	2016
Salford City Council	2016
Sefton Borough Council	2016
Solihull Metropolitan Borough Council	2016
Wyre Council	2016
Allerdale Borough Council	2017
Devon County Council	2017
London Borough of Camden	2017
London Borough of Haringey	2017
London Borough of Westminster	2017
Pendle Borough Council	2017

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

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

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

There is no longer a statutory requirement for YPO, as a joint committee, to have an external audit. However, in March 2016 the Management Committee and Section 151 Officer of the lead authority agreed that YPO should continue to prepare, each year, a statement of accounts in accordance with the C.I.P.F.A Code of Practice that is subject to an external audit.

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

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

## **3. THE STATEMENTS**

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

### Core Statements

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

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

The Balance Sheet shows the value as at the 31st of December 2017 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 Organisation's future operations.

The Statement of Responsibilities for the Statement of Accounts sets out the respective responsibilities of the organisation and the Chief Finance Officer at WMDC for the Statement of Accounts.

## Narrative Statement by the Managing Director

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

### **4. FINANCIAL SUMMARY**

The 2017 budget approved in November 2016 was for a turnover of £118.75m and a surplus of £8.463m, excluding any income for pensions interest or expenditure financed from earmarked reserves.

Invoiced sales for the year are £110.965m and the reported surplus on trading of £7.492m is under the budget set of £8.463m by £0.971m, this excludes any income for pensions interest or expenditure financed from earmarked reserves.

Turnover targets for the year included growth aspirations which haven't fully materialised. However, the ability to meet these targets have also been impacted by adverse market conditions, particularly within the early years, primary and secondary education sectors. With overall spending across these areas reducing by around 4.5% in the year the organisation's focus shifted to one of customer retention with elements of exploring new opportunities. Therefore whilst an adverse variance in sales of £7.8m may seem worrying it is important to appreciate that maintaining, and in some sectors increasing, market share is equally as significant.

Income from stock and framework contracts at £5.3m were under the budget of £5.39m, mainly due to emergency services framework contributions being lower than expected.

Operating costs for 2017 were £30.800m, £0.306m over budget. A significant contribution for the adverse variance was an increase in our employer pension contributions of 2.5% from April resulting in additional costs of around £0.240m. There has also been high distribution costs due to a greater number of consignments being carried out by third party contractors due to our Logistics team being unable to fully utilise our own fleet resources through staff sickness. Added to this have been higher than expected software license costs due an increase in rates from our suppliers. Helping to offset these have been savings with facilities improvements and a general vacancy saving across the organisation within salaried staff.

In 2017 £0.529m of expenditure was funded through the internal earmarked reserve funds. This was planned expenditure approved at the November 2016 Management Committee.

Trade debtors are at £8.9m, £1.5m greater than in 2016. There are no specific or significant causes of this, we are have just seen a general increase in our average debtor days of 5.5 to 29.5 days in 2017. This is still within our standard credit terms and the level of debt written off has also remained in line with 2016 at less than £0.010m.

The net assets of the organisation as at 31st December 2017 are £14.6m, an increase on £11.2m in last years accounts. Net current assets have remained stable and are at a similar position to that of last year with slight decreases in cash balances. It is a reduction in our long term liabilities that has contributed to the increase in our net worth and this is thanks to a reduction in the net pension liability of £4.3m due to asset returns in the accounting period being higher than expected.

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

An agreed dividend distribution of £7.928m for the trading year 2016 was distributed in September 2017. This distribution, as last year, included all customers.

No acquisitions or discontinuation of operations were made during 2017.

## Narrative Statement by the Managing Director

### **5. RETIREMENT BENEFITS**

The value of the organisation's retirement benefits liability as at 31 December 2017 was £25.6 million (31 December 2016 £29.9 million). This decrease is due to the return on the funds assets within the accounting period being higher than expected.

The employer's contribution rate was 11.9% from Jan to Mar and 14.4% from Apr to Dec 2017. (see note 7 to Core Financial Statements - Retirement Benefits)

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

### **6. SIGNIFICANT MATTERS**

The budget submission for the 2017 financial year was given approval by the Management Committee at the meeting in November 2016. The budget was built on assumptions of growth in core business and keeping the Operating Costs to Sales ratio at 24.6% which has gone up to 26.5% in 2017's performance.

A dividend distribution of £7.928m declared in respect of the 2016 trading year, was distributed in September 2017. This included a non cash loyalty bonus of £1.4m payable to individual customers by way of a voucher to be used against future purchases of product.

YPO Procurement Holdings and its subsidiary YPO Supplies Ltd began trading with YPO Joint Committee in 2014. Board members for YPO Procurement Holdings and YPO Supplies are also members of the Joint Committee board and therefore all transactions in 2017 between the above companies are classed as related party transactions.

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

The 2018 Budget was approved by the Management Committee in November 2017 as the first year of our new three year strategy. This strategy focuses on relevance and the importance of YPO remaining relevant not only to their owners and various customer groups but also to an ever changing marketplace. This will ensure we remain competitive whilst continuing to deliver value for money to all public sector organisations when procuring goods and services.

A medium term financial strategy has also been drawn up alongside the 2018 budget, this assesses the implications today's actions will have over the next 2-5 years and what impact it will have on future profits and financial position.

Within the medium term financial strategy we have prudently estimated that our sales demand remains at current volumes plus inflation over the planning period. This along with an expected growth within our rebates business and a continued focus on efficiencies within our overheads should see net profits increased by 2022.

Simon Hill  
Managing Director

# Statement of Responsibilities

## THE ORGANISATION'S RESPONSIBILITIES

The Organisation is required to:

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

## THE RESPONSIBILITIES OF THE CHIEF FINANCE OFFICER

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

In preparing this statement of accounts, the Chief Finance Officer has:

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

The Chief Finance Officer has also:

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

## CHIEF FINANCE OFFICER

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Yorkshire Purchasing Organisation at 31st December 2017 and its Income and Expenditure for the year then ended.

.....

**NEIL WARREN**  
**Chief Finance Officer**

## APPROVAL OF THE ACCOUNTS

As the Chair of the body considering the Yorkshire Purchasing Organisation's Statement of Accounts for 2017, I certify that the Accounts have been approved by the Management Committee and are authorised for issue.

.....

**Cllr LES SHAW**  
**Chairperson YPO Management Committee**

# Auditors Opinion

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

We have audited the non-statutory accounts of the Yorkshire Purchasing Organisation ("the Organisation") for the year ended 31 December 2017 which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and related notes, including the statement of accounting policies in note 1. These non-statutory accounts have been prepared for the reasons set out on page 13 in the Statement of Accounting Policies and on the basis of the financial reporting framework of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

In our opinion the non-statutory accounts:

- give a true and fair view of the state of the Organisation's affairs as at 31 December 2017 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

### Basis for opinion

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

### Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the non-statutory accounts. We have nothing to report in these respects.

### Other information

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

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

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

We are required to report to you if:

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

We have nothing to report in respect of these matters.

# Auditors Opinion

## Chief Finance Officer's responsibilities

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

## Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

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

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

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

**Rashpal Khangura**  
**for and on behalf of KPMG LLP**

Chartered Accountants  
1 Sovereign Square  
Sovereign Street  
Leeds  
LS1 4DA

June 2018

## 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.

2016	£000's											
	Usable Reserves			Unusable Reserves								Note
	General Fund Balance	Capital Receipt Reserve	Internal Investment Reserve	Joint Committee Capital Adjustment Account	Earmarked Pension Reserve	Earmarked Accumulated absences account	Revaluation Reserve	Total Usable reserves	Total Unusable reserves	Total Reserves		
<b>Balance as at 31 December 2015</b>	30,302	85	2,303	11,014	(16,827)	(112)	0	32,690	(5,925)	26,765		
<b>Movement in Reserves during 2016</b>												
Surplus or (Deficit) on Operations	(4,039)							(4,039)	0	(4,039)		
Other Comprehensive Income					(11,513)		0	0	(11,513)	(11,513)		
<b>Total Comprehensive Expenditure and Income</b>	(4,039)	0	0	0	(11,513)	0	0	(4,039)	(11,513)	(15,552)		
Adjustments between accounting basis and funding basis under regulation												
<b>Net Increase / (Decrease) before transfer to Earmarked Reserves</b>	(4,039)	0	0	0	(11,513)	0	0	(4,039)	(11,513)	(15,552)		
Transfer (to) / from Earmarked Reserves	2,556		(533)	(470)	(1,555)	1	0	2,023	(2,023)	0		
<b>Increase / (Decrease) in Movement in Year</b>	(1,484)	0	(533)	(470)	(13,068)	1	0	(2,016)	(13,536)	(15,552)		
<b>Balance as at 31 December 2016</b>	28,818	85	1,770	10,545	(29,895)	(111)	0	30,674	(19,461)	11,213	13	

2017	£000's											
	Usable Reserves			Unusable Reserves								Note
	General Fund Balance	Capital Receipt Reserve	Internal Investment Reserve	Joint Committee Capital Adjustment Account	Earmarked Pension Reserve	Earmarked Accumulated absences account	Revaluation Reserve	Total Usable reserves	Total Unusable reserves	Total Reserves		
<b>Balance as at 31 December 2016</b>	28,818	85	1,770	10,545	(29,895)	(111)	0	30,674	(19,461)	11,213		
<b>Movement in Reserves during 2017</b>												
Surplus or (Deficit) on Operations	(3,593)							(3,593)	0	(3,593)		
Other Comprehensive Income				0	7,016		0	0	7,016	7,016		
<b>Total Comprehensive Expenditure and Income</b>	(3,593)	0	0	0	7,016	0	0	(3,593)	7,016	3,423		
Adjustments between accounting basis and funding basis under regulation				10				0	10	10		
<b>Net Increase / (Decrease) before transfer to Earmarked Reserves</b>	(3,593)	0	0	10	7,016	0	0	(3,593)	7,026	3,433		
Transfer (to) / from Earmarked Reserves	3,036		(74)	(270)	(2,692)	0	0	2,962	(2,962)	0		
<b>Increase / (Decrease) in Movement in Year</b>	(557)	0	(74)	(259)	4,324	0	0	(631)	4,065	3,433		
<b>Balance as at 31 December 2017</b>	28,261	85	1,696	10,285	(25,571)	(111)	0	30,042	(15,396)	14,646		

# Comprehensive Income and Expenditure Account

2016		2017
<u>£'000</u>		<u>£'000</u> <b>Note</b>
113,904	<i>Invoiced Turnover</i>	110,965 1(b),6
<u>(83,926)</u>	<i>Cost of Sales</i>	<u>(80,316)</u>
29,978	<i>Gross Margin</i>	30,649
142	Discounts	128
4,335	Rebates	5,299 1(b),6
2,905	Other Income	2,216 1(b),6
<u>37,361</u>	<i>Gross Surplus</i>	<u>38,292</u>
	<i>Operating Expenses</i>	
(17,705)	Employees	(18,001)
(1,115)	Premises	(1,224)
(6,994)	Supplies and Services	(6,850)
(4,583)	Transport	(4,608)
(102)	S.L.A. Costs	(127)
(143)	Financial and Miscellaneous	(267)
(475)	Depreciation and revaluation increase/(decrease)	(270) 1(e),8
(962)	Pension service gain(cost) net of charges made to the general fund	(1,909) 1(h),7
<u>(32,079)</u>	<i>Net Operating Expenditure</i>	<u>(33,256)</u>
<u>5,282</u>	<i>Surplus/(deficit) on trading operations</i>	<u>5,036</u>
	<i>Other Operating expenditure</i>	
0	Gain/(Loss) on Disposal of Property, Plant and Equipment	0
<u>0</u>		<u>0</u>
	<i>Financing and investment income and expenditure</i>	
(593)	Pensions Interest Cost and Expected Return on Pension Assets	(783) 1(h),7
70	Interest Receivable	17
(8,798)	Dividend paid	(7,864)
<u>(9,321)</u>		<u>(8,629)</u>
<u>(4,039)</u>	<i>Surplus/(Deficit) on provision of service</i>	<u>(3,593)</u>
	<i>Other Comprehensive income and expenditure</i>	
(11,513)	Actuarial gains / (losses) on pension assets / liabilities	7,016
0	Gains / (losses) on revaluations of PPE and depreciation	0
<u>(11,513)</u>		<u>7,016</u>
<u>(15,552)</u>	<i>Total comprehensive Income and Expenditure</i>	<u>3,423</u>

# BALANCE SHEET

The Balance Sheet shows the value as at 31st December 2017 of the assets and liabilities recognised by the Organisation. The net assets of the Organisation (assets less liabilities) are matched by the reserves held by the Organisation.

31st Dec 2016 <u>£'000</u>		31st Dec 2017 <u>£'000</u>	<u>Note</u>
<b>ASSETS AND LIABILITIES</b>			
<b>Long term Assets</b>			
<b>Property, Plant and Equipment</b>			
9,058	Land and Buildings	9,000	1(e),8
784	Vehicles, Furniture & Equipment	612	1(e),8
<u>30</u>	Intangible Assets	<u>0</u>	1(e),8
<b><u>9,872</u></b>	<b>Total Long Term Assets</b>	<b><u>9,612</u></b>	
<b>Current Assets</b>			
12,213	Inventories	12,749	1(m),9
12,353	Short term debtors	14,654	1(u),10
<u>14,214</u>	Cash and cash equivalents	<u>11,183</u>	
<b><u>38,780</u></b>	<b>Total Current Assets</b>	<b><u>38,587</u></b>	
<b>Current Liabilities</b>			
<u>(7,543)</u>	Short term creditors	<u>(7,982)</u>	1(v),11
<b><u>(7,543)</u></b>	<b>Total Current Liabilities</b>	<b><u>(7,982)</u></b>	
<b><u>31,236</u></b>	<b>Net Current Assets</b>	<b><u>30,605</u></b>	
<b>Long term Liabilities</b>			
<u>(29,895)</u>	Liability relating to Defined Benefit Pension Scheme	<u>(25,571)</u>	1(h),7
<b><u>11,213</u></b>	<b>Net Assets</b>	<b><u>14,646</u></b>	
<b>Financed by:</b>			
<b>Usable Reserves</b>			
28,818	General Fund	28,261	
85	Usable Capital Receipts Reserve	85	1(g),13
1,770	Internal Investment reserve	1,696	1(g),13
<b>Unusable Reserves</b>			
10,545	Joint Committee Capital Adjustment Account	10,285	1(g),13
<u>(29,895)</u>	Pension Reserve	<u>(25,571)</u>	1(h),7,13
<u>(111)</u>	Earmarked Accumulated Absences Account	<u>(111)</u>	1(g),13
0	Revaluation Reserve	0	1(g),13
<b><u>11,213</u></b>	<b>Total Reserves</b>	<b><u>14,646</u></b>	

# 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.

<b>2016</b>		<b>2017</b>
<b>£'000</b>		<b>£'000</b>
<b>(4,039)</b>	<b>Net surplus/(deficit) on the provision of service</b>	<b>(3,593)</b>
	<b>Adjustment to the net surplus/(deficit) for non cash movements</b>	
475	Depreciation and revaluation increase/(decrease)	270
331	(Increase)/Decrease in Inventories	(537)
(526)	(Increase)/Decrease in Debtors	(2,301)
1,555	(Increase)/Decrease in Pension Liability	2,692
(813)	Increase/(Decrease) in Creditors	439
(1,690)	Redemption of loyalty vouchers	(1,212)
<b>(668)</b>		<b>(650)</b>
	<b>Adjustments for items included in the net surplus/(deficit) that are financing/investing activities</b>	
8,798	Proceeds from sale of PPE	7,864
<b>8,798</b>	Dividend payment	<b>7,864</b>
<b>4,091</b>	<b>Net cash flows from operating activities</b>	<b>3,621</b>
	<b>Investing Activities</b>	
(6)	Purchase of PPE	0
0	Proceeds from Sale of PPE	0
<b>(6)</b>		<b>0</b>
	<b>Financing Activities</b>	
(7,108)	Dividends paid to Members	(6,651)
<b>(7,108)</b>		<b>(6,651)</b>
<b>(3,023)</b>	<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>(3,031)</b>
17,237	Cash and Cash Equivalents at the beginning of the reporting period	14,214
<b>14,214</b>	<b>Cash and Cash Equivalents at the end of the reporting period</b>	<b>11,183</b>

### Note on operating activities

	The cash flows from operating activities include the following items	
70	Interest Receivable	17
<b>70</b>		<b>17</b>

## Notes to the Core Financial Statements

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

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

#### **GENERAL PRINCIPLES**

As a Joint Committee, YPO is no longer required to comply with the Accounts and Audit regulations 2015. However, it has been agreed that YPO will continue to produce a statement of accounts in accordance with the C.I.P.F.A Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and Service Reporting Code of Practice 2016/17, 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**

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 15th December 2017, 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	2017
41 Industrial Park	44 years
Flanshaw Way	40 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

## Notes to the Core Financial Statements

### g. RESERVES

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

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

### h. EMPLOYEE BENEFITS

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

#### **Benefits payable during employment**

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

#### **Termination Benefits**

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

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

#### **Post Employment Benefits**

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

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

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

Liabilities are discounted to their value at current prices, using a discount rate of 2.5% on funded liabilities and 2.5% 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.

## Notes to the Core Financial Statements

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

### Discretionary Benefits

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

### i. TAXATION

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

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

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

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

### k. EVENTS AFTER THE BALANCE SHEET DATE

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

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

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

### l. INTEREST RECEIVABLE/PAYABLE

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 2017.

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).

## Notes to the Core Financial Statements

### **g. 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.

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

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

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

### **r. ESTIMATION TECHNIQUES**

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

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

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

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

### **t. FOREIGN CURRENCY TRANSLATION**

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

### **u. DEBTORS**

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

### **v. CREDITORS**

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

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

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

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

The Code of Practice on Local Authority Accounting 2016/17 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 2018 Statement of Accounts.

## Notes to the Core Financial Statements

### 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.

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

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

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

#### **Pensions Liability**

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

These assumptions interact in complex ways and could produce a range of different results depending on the mix of changes in assumptions. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of around £2.241m.

#### **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 £200K.

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

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

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

#### **Foreign currency transactions**

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

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

### 5. MATERIAL ITEMS OF INCOME AND EXPENDITURE

During 2017 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 2017 was £110.965m, £7.8m below the budget for the year and down on last year by £2.9m. A reduction in sales across most selling categories has contributed to this with Directs Furniture and School supplies the largest adverse variance against budget.

## Notes to the Core Financial Statements

An additional £0.172m of catalogue contribution income has been taken in the year due to an under accrual of expected income in the 2016 year end accounts.

An increase in Employer's pension contribution rates from April 2017, up to 14.4% from 11.9% resulted in additional expenditure of £0.240m in the year.

An agreed dividend distribution of £7.928m for the trading year 2016 was distributed in September 2017. This distribution included all customers. As at the 31st December 2017 there was a balance of £173K of loyalty vouchers unredeemed.

### 6. TURNOVER

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

### 7. RETIREMENT BENEFITS

#### Participation in pension schemes

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

The organisation participates in the Local Government Pension Scheme (LGPS), administered by the West Yorkshire Pension Fund (WYPF). This is a funded defined benefit final salary scheme, meaning that the organisation pays contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. The employers' rate of contribution for January to March 2017 was 11.9% and from April to December 2017 14.4%. Employees contributions in 2017 were between 5.5% and 12.5% depending on salary.

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

#### Transactions relating to post - employment benefits

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

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

	Funded	Unfunded	Total	Funded	Unfunded	Total
	2016 £'000	2016 £'000	2016 £'000	2017 £'000	2017 £'000	2017 £'000
<b>Comprehensive Income and Expenditure Account</b>						
<b>Cost of Service</b>						
Current Service Cost	2,511	0	2,511	3,662	0	3,662
Past Service (Gain)/Cost	0	0	0	20	0	20
Curtailement (Gain)/Loss		0	0		0	0
<b>Financing and investment income and Expenditure</b>						
Net interest Expense	561	32	593	758	25	783
<b>Total Post Employment Benefit Charged to the surplus or Deficit on the Provision of Services</b>	<b>3,072</b>	<b>32</b>	<b>3,104</b>	<b>4,440</b>	<b>25</b>	<b>4,465</b>
<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>						
<b>Remeasurement of the net defined benefit liability</b>						
Return on plan assets (gains)/losses	(11,444)	0	(11,444)	(7,387)	0	(7,387)
Actuarial (Gains) and losses-demographic assumptions	0	0	0	(3,311)	(22)	(3,333)
Actuarial (Gains) and losses-experience	(750)	(16)	(766)	(2,131)	(7)	(2,138)
Actuarial (Gains) and losses-financial assumptions	23,618	105	23,723	5,827	15	5,842
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>14,496</b>	<b>121</b>	<b>14,617</b>	<b>(2,562)</b>	<b>11</b>	<b>(2,551)</b>
<b>Movement in Reserves Statement</b>						
Reversal of net charges made to the comprehensive Income and Expenditure account for post employment benefits in accordance with the Code	(3,072)	(32)	(3,104)	(4,440)	(25)	(4,465)
Actual amount charged against the General Fund balance for pensions in the year:						
- employer's contributions to the pension scheme	1,485		1,485	1,710		1,710
-retirement benefits payable to pensioners		64	64		63	63
<b>Total Charge against the General fund</b>	<b>(1,587)</b>	<b>32</b>	<b>(1,555)</b>	<b>(2,730)</b>	<b>38</b>	<b>(2,692)</b>

## Notes to the Core Financial Statements

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

	Males		Females	
	2016	2017	2016	2017
Rating to base table	0	0	0	0
Scaling to base table rates (Current)	105%	100%	100%	90%
Scaling to base table rates (Future)	-	115%	-	90%
Cohort improvement factors	CMI2012	CMI2012	CMI2012	CMI2012
Minimum underpin to improvement factors	1.50%	1.50%	1.50%	1.50%
Future lifetime from age 65 (currently aged 65)	22.7	22.1	25.6	25.2
Future lifetime from age 65 (currently aged 45)	24.9	23	28	27

### 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	
	2016	2017	2016	2017
	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
<b>Pension Assets and Liabilities</b>				
<b>Recognised in the Balance Sheet</b>				
Fair value of assets	85,381	94,471	0	0
Present value of the defined benefit obligation	(114,302)	(119,120)	(974)	(922)
<b>Net liability arising from defined benefit obligation</b>	<b>(28,921)</b>	<b>(24,649)</b>	<b>(974)</b>	<b>(922)</b>

### 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.

	2016 <u>£'000</u>	2017 <u>£'000</u>
Balance at 1st January	71,953	85,381
Interest income	2,651	2,298
Remeasurement gains/ (losses) on assets	11,444	7,387
Employer contributions	1,485	1,710
Contributions by scheme participants	811	834
Benefits paid	(2,963)	(3,139)
<b>Balance at 31st December</b>	<b>85,381</b>	<b>94,471</b>

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

	Funded Liabilities		Unfunded Liabilities	
	2016	2017	2016	2017
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Balance at 1st January	(87,863)	(114,302)	(917)	(974)
Current Service Cost	(2,511)	(3,662)		
Interest Cost	(3,212)	(3,056)	(32)	(25)
Contributions by scheme participants	(811)	(834)		
Remeasurement gains and (losses)				
<i>Actuarial gains and (losses) - demographic assumptions</i>	0	3,311		22
<i>Actuarial gains and (losses) - financial assumptions</i>	(23,618)	(5,827)	(105)	(15)
<i>Actuarial gains and (losses) - experience</i>	750	2,131	16	7
Benefits paid	2,963	3,139	64	63
Past service costs and curtailments	0	(20)		
<b>Balance at 31st December</b>	<b>(114,302)</b>	<b>(119,120)</b>	<b>(974)</b>	<b>(922)</b>

### Local Government Pension Scheme Assets

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

	Assets held	
	2016	2017
Equity investments	76.00%	77.30%
Property	4.40%	4.50%
Bonds	14.50%	13.10%
Other assets *	5.10%	5.10%
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>

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

## Notes to the Core Financial Statements

### Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates and salary levels. The scheme has been assessed by Hewitt Associates Limited, an independent firm of actuaries. Estimates for the fund have been based on the latest full valuation of the funded scheme as at the 31st March 2016 and the unfunded scheme as at 31st December 2017.

	Funded element		Unfunded element	
	2016	2017	2016	2017
Mortality assumptions				
Longevity at 65 for future pensioners				
Men	24.9 years	23.0 years		
Women	28.0 years	27.0 years		
Longevity at 65 for current pensioners				
Men	22.7 years	22.1 years	22.7 years	22.1 years
Women	25.6 years	25.2 years	25.6 years	25.2 years
Rate of Inflation (RPI)	3.20%	3.30%	3.20%	3.30%
Rate of Inflation (CPI)	2.10%	2.20%	2.10%	2.20%
Rate of Increase in Salaries	3.60%	3.45%	-	-
Rate of Increase in Deferred Pensions	2.10%	2.20%	-	-
Rate of Increase in Pensions	2.10%	2.20%	2.10%	2.20%
Rate for discounting scheme liabilities	2.70%	2.50%	2.70%	2.50%
Take-up of option to convert annual pension into retirement lump sum	75.00%	75.00%		

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

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

	Increase in Assumption £000	Decrease in Assumption £000
Member Life expectancy (+ or - 1 year)	3,719	(3,688)
Rate of increase in salaries (+ or - 0.1%)	576	(571)
Rate of increase in pensions (+ or - 0.1%)	1,701	(1,676)
Rate for discounting scheme liabilities (+ or - 0.1%)	(2,241)	2,284

### 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 £25,571k has a substantial impact on the net worth of the organisation as recorded in the balance sheet. Arrangements for funding the deficit mean that the financial position of the organisation remains healthy.

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

The contributions expected to be made by the Organisation to the Local Government Pension Scheme in the year to 31st December 2018 are £1.828m. In addition, contributions towards the unfunded obligations will be required. Expected contributions for the discretionary benefits in the year to 31st December 2018 are £0.065m.

The weighted average duration of the defined benefit obligation for scheme members is 19.0 years.

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

## Notes to the Core Financial Statements

### 8. Property Plant and Equipment

As at 31 December 2017, the Organisation held the following assets

Property plant and equipment were predominantly represented by 43 Delivery vehicles (2016 = 48), 93 Container units (2016 = 93) and Land and Buildings comprising of one general supplies warehouse and office complex located at 41 Industrial Park, Wakefield and one located at Flanshaw Way, Wakefield (no change from 2016).

#### Property Plant and Equipment

##### Cost or valuation

Opening balance 1 January 2017  
 Acc depreciation write out to gross carrying amount  
 Revaluation increase / (decrease) recognised in the Revaluation Reserve  
 Revaluation increase / (decrease) recognised in the I&E  
 Additions  
 Impairment  
 Disposals

**At 31 December 2017**

##### Depreciation and impairments

Opening balance 1 January 2017  
 Charge for depreciation 2017  
 Disposals  
 Impairment  
 Acc depreciation write out to gross carrying amount  
 Depreciation written out to I&E

**At 31 December 2017**

**Net Book Value at 31 December 2017**

**Net Book Value at 1 January 2017**

	Land & Buildings £'000	Furniture & Equipment £'000	Computers £'000	Vehicles £'000	TOTAL £'000
Opening balance 1 January 2017	9,058	738	925	3,336	14,057
Acc depreciation write out to gross carrying amount				-	0
Revaluation increase / (decrease) recognised in the Revaluation Reserve		-	-	-	0
Revaluation increase / (decrease) recognised in the I&E	(58)	-	-	-	(58)
Additions	0	0	0	-	0
Impairment					
Disposals					
<b>At 31 December 2017</b>	<b>9,000</b>	<b>738</b>	<b>925</b>	<b>3,336</b>	<b>13,999</b>
<b>Depreciation and impairments</b>					
Opening balance 1 January 2017	0	436	864	2,915	4,215
Charge for depreciation 2017	157	42	17	112	329
Disposals		-	-	-	0
Impairment		-	-	-	0
Acc depreciation write out to gross carrying amount					0
Depreciation written out to I&E	(157)	-	-	-	(157)
<b>At 31 December 2017</b>	<b>0</b>	<b>478</b>	<b>881</b>	<b>3,028</b>	<b>4,387</b>
<b>Net Book Value at 31 December 2017</b>	<b>9,000</b>	<b>260</b>	<b>44</b>	<b>308</b>	<b>9,612</b>
<b>Net Book Value at 1 January 2017</b>	<b>9,058</b>	<b>302</b>	<b>61</b>	<b>421</b>	<b>9,842</b>

#### 2016 Comparative

#### Property Plant and Equipment

##### Cost or valuation

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

**At 31 December 2016**

##### Depreciation and impairments

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

**At 31 December 2016**

**Net Book Value at 31 December 2016**

**Net Book Value at 1 January 2016**

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

## Notes to the Core Financial Statements

### 8a. Intangible Assets

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

#### 31st Dec 2017

##### Cost or valuation

Opening balance 1 January 2017  
Additions  
Impairment  
Disposals

Intangible Assets £'000
118
<b>118</b>
88
30
<b>118</b>
<b>0</b>
<b>30</b>

#### At 31 December 2016

##### Amortisation and impairments

Opening balance 1 January 2017  
Amortisation charge for 2017  
Impairment  
Disposals

#### At 31 December 2017

#### Net Book Value at 31 December 2017

#### Net Book Value at 1 January 2017

#### 2015 Comparative

##### Cost or valuation

Opening balance 1 January 2016  
Additions  
Impairment  
Disposals

Intangible Assets £'000
118
<b>118</b>
49
39
<b>88</b>
<b>30</b>
<b>69</b>

#### At 31 December 2015

##### Amortisation and impairments

Opening balance 1 January 2016  
Amortisation charge for 2016  
Impairment  
Disposals

#### At 31 December 2016

#### Net Book Value at 31 December 2016

#### Net Book Value at 1 January 2016

### 9. Inventories

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

31st Dec 2016	Warehouse Stock £000's	Packing and Materials £000's	Total £000's
Opening inventory balance	12,577	55	12,632
Purchases	61,657	373	62,030
Recognised as an expense in year	(61,804)	(365)	(62,169)
Reduction of Stock in Transit accrual	(60)	-	(60)
Reversals of write offs in previous years	4	-	4
<b>Closing Inventory balance</b>	<b>12,373</b>	<b>63</b>	<b>12,436</b>
Provision for stock write off	(223)	0	(223)
<b>Closing Inventory balance net of provisions made</b>	<b>12,150</b>	<b>63</b>	<b>12,213</b>

## Notes to the Core Financial Statements

### 10. DEBTORS AND PAYMENTS IN ADVANCE

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

	31st Dec 2016 £'000	31st Dec 2017 £'000
Trade Debtors	8,053	9,681
Accumulated Absences	7	7
Less - Provision for Bad Debts	(66)	(112)
	7,994	9,576
Payments in Advance and accrued income	4,359	5,078
<b>Total</b>	12,353	14,654

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 2016 £'000	31st Dec 2017 £'000
central government bodies	0	0
other local authorities	5,736	5,931
NHS bodies	27	19
public corporations and trading funds	0	0
bodies external to general government (i.e. all other bodies).	2,289	3,730
	8,053	9,681

#### 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 2016 £'000	31st Dec 2017 £'000
central government bodies	-	-
other local authorities	-	-
NHS bodies	-	-
public corporations and trading funds	-	-
bodies external to general government (i.e. all other bodies).	4,359	5,078
	4,359	5,078

### 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 2016 £'000	31st Dec 2017 £'000
<b>Creditors and Receipts in Advance</b>		
Trade Creditors	5,693	5,212
Accruals	1,764	2,455
VAT	-32	197
Accumulated absences	118	118
<b>Total</b>	7,543	7,982

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 2016 £'000	31st Dec 2017 £'000
central government bodies	-	-
other local authorities	47	38
NHS bodies	-	-
public corporations and trading funds	-	-
bodies external to general government (i.e. all other bodies).	5,646	5,174
	5,693	5,212

#### 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 2016 £'000	31st Dec 2017 £'000
central government bodies	-32	197
other local authorities	607	642
NHS bodies	-	-
NHS bodies	-	-
public corporations and trading funds	-	-
bodies external to general government (i.e. all other bodies).	1,275	1,931
	1,850	2,770

#### Long Term Liabilities

Liability relating to Defined Benefit Pension Scheme

	31st Dec 2016 £'000	31st Dec 2017 £'000
Liability relating to Defined Benefit Pension Scheme	29,895	25,571
<b>Total</b>	29,895	25,571

## Notes to the Core Financial Statements

### 12. RISK TO FINANCIAL INSTRUMENTS

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

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

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

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

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

	2016 £'000	2017 £'000
Two to six months	1,890	2,843
Six months to one year	222	216
More than one year	61	111
<b>Total</b>	<b>2,173</b>	<b>3,170</b>

A general provision of £112k (2016 £66k) 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 2016 £'000	31st Dec 2017 £'000	Net Movement in the Year £'000	Note
<u>Usable reserves</u>				
General Fund Balance	28,818	28,261	(557)	i
Capital Receipts Reserve	85	85	0	ii
Internal Investment Reserve	1,770	1,696	(74)	iii
<u>Unusable reserves</u>				
Joint Committee Capital Adjustment Account	10,545	10,285	(259)	iv
Earmarked Pension reserve	(29,895)	(25,571)	4,324	v
Earmarked Accumulated Absences Account	(111)	(111)	0	vi
Revaluation reserve	0	0	0	vii
<b>Total reserves</b>	<b>11,213</b>	<b>14,646</b>	<b>3,433</b>	

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 2017 had a balance of £1m.

## Notes to the Core Financial Statements

	2016 £'000	2017 £'000
<b>General fund balance</b>		
Balance brought Forward 1st of January	30,302	28,818
Surplus or deficit on operations	(4,039)	(3,593)
<b>Total comprehensive income and expenditure</b>	<b>(4,039)</b>	<b>(3,593)</b>
Depreciation and impairment	475	270
Revaluation losses (gains)		
Capital expenditure charged to the GF	(6)	0
Transfer of cash sale proceeds		
Use of UCRR to fund capital expenditure		
Reversal of IAS 19 charges to I&E	3,104	4,465
Employer's pension contributions	(1,549)	(1,773)
Movement in employee absence accrual	(2)	(0)
<b>Total voluntary adjustments</b>	<b>2,023</b>	<b>2,962</b>
Pension Contribution Reserve	-	-
Internal Investment Reserve	533	74
<b>Total transfers to/from cash reserves</b>	<b>533</b>	<b>74</b>
<b>Total transfers to/from earmarked reserves</b>	<b>2,556</b>	<b>3,036</b>
<b>Balance Carried Forward 31st December</b>	<b>28,818</b>	<b>28,261</b>
<b>Movement in year represented in the Movement in Reserves Statement</b>	<b>(1,484)</b>	<b>(557)</b>

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

	2016 £'000	2017 £'000
<b>Usable Capital Receipts Reserve</b>		
Balance brought Forward 1st of January	85	85
<b>Amounts Received</b>		
General receipts	-	-
<b>Amounts Applied</b>		
New Capital Investment	-	-
<b>Balance Carried Forward 31st December</b>	<b>85</b>	<b>85</b>
<b>Movement in year represented in the Movement in Reserves Statement</b>	<b>-</b>	<b>-</b>

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

	2016 £'000	2017 £'000
<b>Internal Investment Reserve</b>		
Balance brought Forward 1st of January	2,303	1,770
<b>Transferred to Reserves</b>		
Reserves for specific projects created in year	580	455
<b>Amounts Applied</b>		
Reserve balances utilised in year	(1,112)	(529)
<b>Amounts released back to the General Fund</b>		
Reserve balances no longer required and released back to the General Fund		
<b>Balance Carried Forward 31st December</b>	<b>1,770</b>	<b>1,696</b>
<b>Movement in year represented in the Movement in Reserves Statement</b>	<b>(533)</b>	<b>(74)</b>

## Notes to the Core Financial Statements

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

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

<b>Joint Committee Capital Adjustment Account</b>	<b>2016 £000</b>	<b>2017 £000</b>
Balance brought Forward 1st of January Brought Forward adjustment	11,014	10,545
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>		
Charges for depreciation and impairment of non-current assets	(475)	(270)
Revaluation (losses) gains on property plant and equipment		10
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	-	-
Adjusting amounts written out of Revaluation Reserve	0	0
<b>Net Written out amount of the cost of non-current assets consumed in the year</b>	<b>10,539</b>	<b>10,285</b>
<b>Capital financing applied in the year</b>		
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-
Capital expenditure charged against the General Fund	6	0
	10,545	10,285
<b>Balance Carried Forward 31st December</b>	<b>10,545</b>	<b>10,285</b>
<b>Movement in year represented in the Movement in Reserves Statement</b>	<b>(469)</b>	<b>(259)</b>

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

<b>Earmarked Pension Reserve</b>	<b>2016 £000</b>	<b>2017 £000</b>
Balance bought forward 1st January	(16,827)	(29,895)
Actuarial Gains or (losses) on pension assets and Liabilities	(11,513)	7,016
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(3,104)	(4,465)
Employers pensions contributions and direct payments to pensioners payable in year	1,549	1,773
<b>Balance Carried Forward 31st December</b>	<b>(29,895)</b>	<b>(25,571)</b>
<b>Movement in year represented in the Movement in Reserves Statement</b>	<b>(13,068)</b>	<b>4,324</b>

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

<b>Earmarked Accumulated Absences Account</b>	<b>2016 £000</b>	<b>2017 £000</b>
Balance bought forward 1st January	(113)	(111)
Settlement or cancellation of accrual made in preceding year	113	111
Amount to be accrued for current year	(111)	(111)
Amount to be charged to the Comprehensive Income and Expenditure Statement	1	0
<b>Balance as at 31st December</b>	<b>(111)</b>	<b>(111)</b>
<b>Movement in year represented in the Movement in Reserves Statement</b>	<b>1</b>	<b>0</b>

## Notes to the Core Financial Statements

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

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

	2016 £000	2017 £000
<b>Revaluation Reserve</b>		
Balance brought Forward 1st of January	0	0
Upward revaluation of assets	-	-
Difference between fair value depreciation and historical cost depreciation	0	0
Revaluation written out to the General Fund	0	0
Adjusting amounts written out of the Joint Committee Capital Adjustment Account		
<b>Balance Carried Forward 31st December</b>	<b>0</b>	<b>0</b>
<b>Movement in year represented in the Movement in Reserves Statement</b>	<b>0</b>	<b>0</b>

### 14. EMPLOYEE EMOLUMENTS

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

REMUNERATION BAND £	No of Employees	
	2016 Re-stated	2017
50,000 - 54,999	6	8
55,000 - 59,999	4	4
60,000 - 64,999	2	3
65,000 - 69,999	1	-
70,000 - 74,999	-	1
75,000 - 79,999	-	1
<b>TOTAL</b>	<b>13</b>	<b>17</b>

\*2016's remuneration banding has been re-stated as the numbers disclosed in the 2016 Statement of Accounts did not include the lease car benefits.

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

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

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

## 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	
	2016 No.	2017 No.	2016 No.	2017 No.	2016 No.	2017 No.	2016 £,000's	2017 £,000's
0 - 20,000	-	-	1	8	1	8	13	55
20,001 - 40,000	-	-	-	3	-	3	-	90
40,001 - 60,000	-	-	1	-	1	-	45	-
60,001 - 80,000	-	-	-	-	-	-	-	-
80,000 and over	-	-	-	1	-	1	-	139
<b>Total</b>	-	0	2	12	2	12	58	284

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:

	2016 £000	2017 £000
Not later than one year	275	293
Later than one year and not later than five years	423	411
Later than five years	2,233	2,204
	<b>2,931</b>	<b>2,908</b>

Amounts charged, in respect of these leases, to the Comprehensive Income and Expenditure Statement during 2017 were £500k (2016 £470k) of which £29K was rent of Flanshaw Way. The later than five years figure is comprised entirely of a long term lease agreement on the land element of a warehouse property held at Flanshaw Way in Wakefield.

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

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

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

2016 £'000	YPO Profit & Loss	2017 £'000
	<b>Trading</b>	
71,924	Stores	71,111
15,625	Food	15,171
26,355	Directs	24,684
<b>113,904</b>	<b>Total Invoiced Sales</b>	<b>110,965</b>
<b>(83,926)</b>	Cost of Sales	<b>(80,316)</b>
<b>29,978</b>	<b>Gross Margin</b>	<b>30,649</b>
142	Discounts	128
4,335	Rebates	5,299
2,905	Other Income	2,216
<b>37,361</b>	<b>Total Income</b>	<b>38,292</b>
	<b>Operating Costs</b>	
<b>(17,583)</b>	Employment costs	<b>(17,976)</b>
<b>(940)</b>	Premises	<b>(1,117)</b>
<b>(6,178)</b>	Supplies and Services	<b>(6,453)</b>
<b>(4,583)</b>	Transport	<b>(4,608)</b>
<b>(102)</b>	SLA costs	<b>(127)</b>
<b>(143)</b>	Financial & Misc	<b>(267)</b>
<b>(475)</b>	Depreciation	<b>(270)</b>
<b>(30,005)</b>	<b>Total Operating Costs</b>	<b>(30,817)</b>
70	Interest (payable)/receivable	17
-	Profit/(loss) on disposal of assets	-
-	Dividend paid	-
-	Pension costs	-
<b>7,426</b>	<b>Surplus or (deficit)</b>	<b>7,492</b>

## Notes to the Core Financial Statements

2016 £'000	Reconciliation of P&L Account to I&E Account	2017 £'000
7,426	Net Profit in P&L Account	7,492
(11,465)	Amounts in the Comprehensive Income and Expenditure Statement not reported to management	(11,085)
-	Amounts included in the P&L not included in the Comprehensive Income and Expenditure Statement	-
<b>(4039)</b>	<b>Surplus/(Deficit) on provision of service</b>	<b>(3593)</b>

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

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

YPO Profit & Loss 2017	P&L Acct £'000	Amts not Alloc'n of rptd for mgt reporting dec making expenses		I&E Statement £'000
		£'000	£'000	
<b>Total Invoiced Sales</b>	<b>110,965</b>	-	-	<b>110,965</b>
Cost of Sales	(80,316)	-	-	(80,316)
<b>Gross Margin</b>				
Discounts	128	-	-	128
Rebates	5,299	-	-	5,299
Other Income	2,216	-	-	2,216
<b>Total Income</b>	<b>38,292</b>	<b>0</b>	-	<b>38,292</b>
<b>Operating Costs</b>				
Employment costs	(17,976)	-	-	(17,976)
Premises	(1,117)	-	-	(1,117)
Supplies and Services	(6,453)	-	-	(6,453)
Transport	(4,608)	-	-	(4,608)
SLA costs	(127)	-	-	(127)
Financial & Misc	(267)	-	-	(267)
Depreciation	(270)	-	-	(270)
<b>Total Operating Costs</b>	<b>(30,817)</b>	<b>0</b>	-	<b>(30,817)</b>
Interest (payable)/receivable	17	-	-	17
Profit/(loss) on disposals	-	-	-	0
Dividend paid	-	(7,864)	-	(7,864)
Earmarked reserves funding	-	(529)	-	(529)
Pension costs	-	(2,692)	-	(2,692)
<b>Surplus or (deficit) on provision of service</b>	<b>7,492</b>	<b>(11,085)</b>	-	<b>(3,593)</b>

YPO Profit & Loss 2016	P&L Acct £'000	Amts not Alloc'n of rptd for mgt reporting dec making expenses		I&E Statement £'000
		£'000	£'000	
<b>Total Invoiced Sales</b>	<b>113,904</b>	-	-	<b>113,904</b>
Cost of Sales	(83,926)	-	-	(83,926)
<b>Gross Margin</b>				0
Discounts	142	-	-	142
Rebates	4,335	-	-	4,335
Other Income	2,905	-	-	2,905
<b>Total Income</b>	<b>37,361</b>	<b>0</b>	-	<b>37,361</b>
<b>Operating Costs</b>				
Employment costs	(17,583)	-	-	(17,583)
Premises	(940)	-	-	(940)
Supplies and Services	(6,178)	-	-	(6,178)
Transport	(4,583)	-	-	(4,583)
SLA costs	(102)	-	-	(102)
Financial & Misc	(143)	-	-	(143)
Depreciation	(475)	-	-	(475)
<b>Total Operating Costs</b>	<b>(30,005)</b>	<b>0</b>	-	<b>(30,005)</b>
Interest (payable)/receivable	70	-	-	70
Profit/(loss) on disposals	-	-	-	0
Dividend paid	-	(8,798)	-	(8,798)
Earmarked reserves funding	-	(1,112)	-	(1,112)
Pension costs	-	(1,555)	-	(1,555)
<b>Surplus or (deficit) on provision of service</b>	<b>7,426</b>	<b>(11,465)</b>	-	<b>(4,039)</b>

## Notes to the Core Financial Statements

### 17. RELATED PARTY TRANSACTIONS

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

Transactions with Founder Member Authorities are shown here for clarity. Founder member authorities are not classified as related parties under the Code of Practice or for the purpose of group accounting but have joint control over the Organisation's decision making and business planning. In addition to the founder members the Organisation has 59 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:

	<b>2016</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Barnsley	17,096	14,987
Bolton	9,998	5,932
Bradford	25,108	24,242
Calderdale	11,901	9,124
Doncaster	15,868	16,229
Kirklees	27,367	30,981
Knowsley	9,820	8,089
North Yorkshire	22,882	17,917
Rotherham	13,231	11,243
St Helens	11,138	9,986
Wakefield	21,333	16,364
Wigan	16,387	12,878
York	6,461	5,851
	<b>208,590</b>	<b>183,822</b>

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

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

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

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

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

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

	<b>Transactions Value (Ex VAT) for the year £</b>	<b>Outstanding Balance as at 31st Dec 2017 £</b>
<b>YPO Procurement Holdings</b>	-	-
<b>YPO Supplies Ltd</b>	1,470,391	261,913

### 18. AUDIT COSTS

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

	<b>2016</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
<b>Audit Costs</b>		
Fees payable to KPMG with regard to external audit services carried out by the appointed auditor	23	23

## Notes to the Core Financial Statements

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

The 23rd March 2018 Management Committee Meeting approved the pre audit statement of Accounts and agreed a profit distribution in respect of the 2017 trading year of £7.492m 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 25th May 2018 when the accounts were authorised for issue by the Audit and Scrutiny Sub Committee.

## Glossary of Terms

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

### **Accounting Period**

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

### **Actuarial Gains and Losses**

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

### **Accumulated Absences**

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

### **Annual Governance Statement**

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

### **Asset**

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

### **Audit of Accounts**

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

### **Budget**

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

### **Cash equivalents**

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

### **Cash equivalent vouchers**

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

### **Current Assets**

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

### **Defined Benefit Plans**

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

### **Depreciation**

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

### **Direct Supply**

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

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

### **Finance Lease**

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

### **Financial Instrument**

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

### **Financial Procedure Rules**

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

### **Impairment**

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

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

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

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

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

### **Inventories**

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

### **Liability**

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

### **Net Book Value**

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

### **Net Expenditure**

Gross expenditure less specific income.

### **Outturn**

Actual income receivable and expenditure due in a financial year.

### **Payments in Advance**

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

### **Prior year adjustments**

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

### **Remuneration**

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as

far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

**Reserve**

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

**Turnover**


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

**Useful life**

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

## Index of notes

Index-Notes to the Core Financial Statements	Note no	Page no
Accounting Policies	1	13
Accounting standards issued but not yet adopted	2	17
Amounts reported for decision making and planning	16	29
Assumptions made about the future	4	18
Audit Costs	18	31
Creditors	11	24
Critical judgements in applying accounting policies	3	18
Debtors	10	24
Events after the Balance Sheet date	19	32
Inventories	9	23
Operating Leases	15	29
Material items of income and expense	5	18
Property Plant and Equipment	8	22
Intangible Assets	8a	23
Related party transactions	17	31
Employee Emoluments	14	28
Movement in Reserves	13	25
Retirement benefits accounted for as defined benefit contribution schemes	7	19
Risks to financial instruments	12	25
Turnover	6	19

	<p><b>YPO</b></p> <p><b>MANAGEMENT COMMITTEE</b></p> <p><b>TO BE HELD ON</b></p> <p><b>29<sup>TH</sup> JUNE 2018</b></p>
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**TITLE: GOVERNANCE REVIEW**

**REPORT OF: MANAGING DIRECTOR**

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**1. BACKGROUND INFORMATION**

- 1.1 YPO has in place various governance policies and supporting documents that set out our approach to managing the organisation. These are reviewed regularly and any changes are brought to Management Committee for approval.
- 1.2 During the last 12 months the following policies and protocols have been reviewed with the recommended actions detailed below:

<b>Item</b>	<b>Latest Status</b>	<b>Proposed Action</b>
Anti-Fraud & Bribery Policy	Reviewed July 2017	No further action
Gifts & Hospitality Policy, Register & Declaration	Reviewed July 2017	No further action
Register of Employee Interests, Register & Declaration	Reviewed July 2017	No further action
Standing Orders for Contracts	Reviewed January 2018	Deliver training to relevant staff
Financial Procedure Rules	Reviewed January 2018	Deliver training to relevant staff
Annual Governance Statement & Local Code of Governance	Published Jan 2018	Ongoing work to develop the AGS into an annual governance report
Risk Management Policy & Strategic Framework	Reviewed Jan 2018	Roll out training on risk appetite
Strategic Risk Register, Fraud & Bribery Risk Assessments	Reviewed Jan 2018	No further action

**2. STRATEGIC IMPLICATIONS**

- 2.1 There are no specific strategic implications associated with this report.

**3. FINANCIAL/RESOURCE IMPLICATIONS**

- 3.1 There are no specific financial implications associated with this report.

**4. LEGAL IMPLICATIONS**

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

**5. RISK IMPLICATIONS**

5. This is an update to a procedure supporting the governance of the organisation and part of YPO's overall framework for managing risk.

**6. CONSULTATION**

- 6.1 The individual documents listed above were subject to appropriate consultation before they were finalised and approved.

**7. OPTIONS APPRAISAL**

- 7.1 Not required.

**8. RECOMMENDATIONS**

- 8.1 That the Management Committee agree that the proposals outlined in the table at 1.2 are adopted.

**9. REASONS FOR RECOMMENDATIONS**

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

**SERVICE DIRECTOR: SIMON HILL, MANAGING DIRECTOR**

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**YPO**  
**MANAGEMENT COMMITTEE**  
**TO BE HELD ON**  
**29<sup>TH</sup> JUNE 2018**

**TITLE: STANDING ORDERS**

**REPORT OF: MANAGING DIRECTOR**

---

**1. PURPOSE OF REPORT**

- 1.1 The definition of member voting rights contained in the current Standing Orders has recently caused some discussion and, at times, confusion. This paper is intended to provide clarity on the current intentions, but also provide members with the opportunity to ensure that the Standing Orders properly reflect their own authority's current views.

**2. BACKGROUND INFORMATION**

- 2.1 The Management Agreement, dated 8<sup>th</sup> September 2011, requires each authority to appoint two elected members to the Management Committee of YPO. Currently only one of these members is designated as the "Voting Member" and, in circumstances where a decision by vote is required, only that member may exercise the authority's vote, even if the other member is present in the meeting.
- 2.2 This may create a possibly unintentional situation, whereby the views of a member authority cannot be considered in a recorded vote. The current Standing Orders state at para 12. that:

*"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."*

- 2.3 It is felt that this wording does not currently provide sufficient clarity on the intended process, or make clear that the decision to pass voting rights from one member to the other rests with the individual member authority. In other words, member authorities may decide to transfer the required voting power from the designated member to the second member. This could be on a continuous basis; at the discretion of the members attending, or for a specific issue where the authority considers it important that their vote is counted.

**3. PROPOSED AMENDMENT**

- 3.1 To provide the clarity of current intention described above, but also the flexibility for member authorities to decide how to apply their single vote entitlement, it is proposed

to amend the wording of the Standing Orders as follows:

*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 and this entitlement will normally rest with the designated voting member. Member Authorities may choose to transfer this voting entitlement to another elected member from their authority, at their discretion and through prior notification to YPO Committee Services. This may be either on a continuous basis or for a specific vote.*

**4. LEGAL IMPLICATIONS**

- 4.1 The proposed amendment is consistent with the Management Agreement of 8<sup>th</sup> September 2011 and only effects change to the Standing Orders of the Joint Committee.

**5. FINANCIAL IMPLICATIONS**

- 5.1 There are no specific financial implications associated with this report.

**6. RECOMMENDATIONS**

- 6.1 That members agree the proposed amendment to the YPO Standing Orders as described in para. 3.1.

**SERVICE DIRECTOR: SIMON HILL, MANAGING DIRECTOR**

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**YPO**  
**MANAGEMENT COMMITTEE**  
**TO BE HELD ON**  
**29<sup>TH</sup> JUNE 2018**

**TITLE: TERMS OF REFERENCE & WORK PROGRAMME**

**REPORT OF: MANAGING DIRECTOR**

---

**1. BACKGROUND INFORMATION**

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

## **2. WORK UNDERTAKEN BY THE MANAGEMENT COMMITTEE**

2.1. During the 2017/18 committee year the Management Committee met on three planned occasions (including the 2017 AGM) and received reports on a number of topics and endorsed and approved the works of the Sub-Committees. Each Sub-Committee forwards the minutes of its meetings to the Management Committee for formal approval.

## **3. WORK UNDERTAKEN BY THE EXECUTIVE SUB-COMMITTEE**

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

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

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

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

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

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

## **5. WORK UNDERTAKEN BY JCC**

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

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

## **6. WORK PROGRAMME**

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

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

## **7. TERMS OF REFERENCE**

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

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

## **8. TRAINING AND TIMETABLE**

8.1. Attached at Appendix 3 is a proposed Training Schedule for each Sub-Committee. The training will be delivered in half hour slots immediately prior to each meeting.

8.2. Appendix 4 provides a proposed schedule for meetings from July 2018 – June 2019.

## **9. RECOMMENDATIONS**

9.1. To agree the Terms of Reference.

9.2. To agree the Principal Agenda Items for 2018/19.

9.3. To agree the Meeting Schedule and Training Schedule 2018/19.

## **11 STRATEGIC IMPLICATIONS**

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

## **12 LEGAL IMPLICATIONS**

12.1 There are no specific Legal Implications associated with this report.

## **13 FINANCIAL IMPLICATIONS**

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

## **REPORT AUTHOR: SIMON HILL, MANAGING DIRECTOR**

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## **APPENDICES:**

*Appendix 1 – Principal Agenda Items*  
*Appendix 2 – Terms of Reference*  
*Appendix 3 – Meeting Schedule 2018/19*  
*Appendix 4 – Training Schedule 2018/19*

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## PRINCIPAL AGENDA ITEMS 2018 - 2019

### MANAGEMENT COMMITTEE

November 2018	Author	Agenda
Budget and Business Plans for 2018	PS/S Hall	Private
Business Update	SH	Private
YPO Pay Policy	JW	Public
Lead Authority Issues	BL	Public
Appointment of Auditors	PS	Public
Report of Independent Director	Independent Director	Private

March 2019	Author	Agenda
Pre-Audit Statement of Accounts <i>(For information only)</i>	PS/S Hall	Public
Dividend Distribution <i>(Total amount of dividend)</i>	PS/ S Hall	Private
Internal Audit Annual Report	JG	Public
Lead Authority Issues	BL	Public
Business Update	SH	Private
Report of Independent Director	Independent Director	Private
Internal Audit Plan	JG	Public

June 2019	Author	Agenda
Annual Report	SH	Public
Audited Accounts <i>(For information only)</i>	PS/S Hall	Public
Governance Review	PS/AHG	Public
TOR and Work Programme	SH	Public
Business Update	SH	Private
Report of Independent Director	Independent Director	Private
Lead Authority Issues	BL	Public
Membership of the YPO Management Committee	KS	Public
Appointments to Sub-Committees & Joint Consultative Committee	KS	Public
Dividend Distribution <i>(Individual Dividend Amounts)</i>	PS	Private

## PRINCIPAL AGENDA ITEMS 2018 - 2019

### EXECUTIVE SUB COMMITTEE

November 2018	Author	Agenda
Financial Performance Report (Forecast for next year)	PS/S Hall	Private
Lead Authority Issues	BL	Public
Business Update	SH	Private
Cost Saving	SH/ PS	Private
Stock Losses Report	PS	Private
Strategy Update	PS	Private

March 2019	Author	Agenda
Financial Performance Report (Earmarked Reserves Spend to be included in this) (Review of previous year performance)	PS/S Hall	Private
Lead Authority Issues	BL	Public
Business Update	SH	Private
Standing Orders & Financial Procedure Rules	PS/S Hall	Public

June 2019	Author	Agenda
Financial Performance Report (Mid-year performance update)	PS/S Hall	Private
Business Update	SH	Private
Lead Authority Issues	BL	Public
Exec Sub Work Programme & TOR	SH	Public

**PRINCIPAL AGENDA ITEMS 2018 - 2019**

**AU AUDIT & SCRUTINY SUB COMMITTEE**

November 2018	Author	Agenda
Internal Audit Plan Template 2018	JG	Public
Risk Management Process	PS/AHG	Public
Risk Register	PS/AHG	Private
Year End Closedown Timetable	PS/S Hall	Public
External Audit Plan	KPMG	Public
Annual Audit Letter	KPMG	Public
IT Programme Update	GR	Private
Warehouse & Logistics Strategy	JW	Private
Appointment of Auditors	PS	

February 2019	Author	Agenda
Internal Audit Action Update	PS/AHG	Private
Annual Governance Statement	PS/S Hall	Public
Pre-Audit Statement of Accounts	PS/S Hall	Public
Internal Audit Annual Report 2018	JG	Public
Internal Audit Plan 2018	JG	Public
IT Programme Update	GR	Private
Commercial Strategy/ Sales Analysis	JM	Private
Stock Adjustments	PS	Private
Gifts & Hospitality	JW	Public

May 2019	Author	Agenda
External Audit Report	KPMG	Public
Audited Statement of Accounts	PS/S Hall	Public
Audit & Scrutiny Sub Work Programme & TOR	SH	Public
Governance Review	PS/ AHG	Public
Internal Audit Progress	JG	Public
IT Programme Update	GR	Private

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**Yorkshire Purchasing Organisation**

**Management Committee Terms of Reference 2018/19**

**Number of Members**

Twenty Six Councillors – Two from each Member Authority

**Quorum**

Member representation from at least five Member Authorities.

**Substitutes**

Two named substitutes from each Member Authority.

**Frequency of Meetings**

Three times per annum.

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

**Remit**

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

**Yorkshire Purchasing Organisation**

**Executive Sub-Committee Terms of Reference 2018/19**

**Number of Members**

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

**Quorum**

Member representation from at least three Member Authorities.

**Substitutes**

Agreed named substitutes are Allowed.

**Frequency of Meetings**

Three times per annum.

**Remit**

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

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

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

**Yorkshire Purchasing Organisation**

**Audit & Scrutiny Sub-Committee Terms of Reference 2018/19**

**Number of Members**

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

**Frequency of Meetings**

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

**Quorum**

Member representation from at least four Member Authorities.

**Substitutes**

Agreed named substitutes are allowed.

**Remit**

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

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

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

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

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

**Yorkshire Purchasing Organisation**

**Joint Consultative Committee Terms of Reference 2018/19**

**Number of Members**

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

**Frequency of Meetings**

Three times per annum, linked to Management Committee meetings.

**Quorum**

Two Councillors and two Trade Union officials.

**Substitutes**

Agreed name substitutes are allowed.

**Remit**

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

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Date of Meeting		Board Meeting	Strategic Officers Meeting	Executive Sub Committee	Management Committee	JCC Members Meeting	Audit & Scrutiny Sub Committee	Partnership Liaison Meeting
<b>July</b>								
24/7	9:00	Board Meeting						
<b>August</b>								
28/8	9:00	Board Meeting						
<b>September</b>								
25/9	9:00	Board Meeting						
<b>October</b>								
9/10	9:00							Partnership Meeting
16/10	10:30		Strategic Officers					
23/10	9:00	Board Meeting						
<b>November</b>								
2/11	10:30						Audit & Scrutiny Sub	
16/11	10:30			Executive Sub				
27/11	9:00	Board Meeting						
30/11	9:30					JCC		
30/11	10:30				Management Committee			
<b>December</b>								
18/12	9:00	Board Meeting						
<b>January</b>								
22/1	9:00	Board Meeting						
<b>February</b>								
TBC	TBC							Partnership Meeting
5/2	10:30		Strategic Officers					
15/2	10:30						Audit & Scrutiny Sub	
26/2	10:30	Board Meeting						
<b>March</b>								
8/3	10:30			Executive Sub				
22/3	9:30					JCC		
22/3	10:30				Management Committee			
26/3	9:00	Board Meeting						
<b>April</b>								
30/4	9:00	Board Meeting						
<b>May</b>								
TBC	TBC							Partnership Meeting
14/5	10:30		Strategic Officers					
24/5	10:30						Audit & Scrutiny Sub	
21/5	9:00	Board Meeting						
<b>June</b>								
7/6	10:30			Executive Sub				
21/6	9:30					JCC		
21/6	10:30				Management Committee			
25/6	9:00	Board Meeting						

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**TRAINING SCHEDULE FOR 2018 - 2019**

	<b>EXEC SUB COM</b>	<b>AUDIT &amp; SCRUTINY SUB COM</b>
<b>Date and Training Topic</b>	16 <sup>th</sup> November 2018  <b>Warehouse &amp; Logistics Strategy</b>  Julie Wray	2 <sup>nd</sup> November 2018  <b>External &amp; Internal Audit Relationship</b>  Julie Gill
<b>Date and Training Topic</b>	8 <sup>th</sup> March 2019  <b>Commercial &amp; Customer Strategy</b>  Jo Marshall	15 <sup>th</sup> February 2019  <b>Risk Management</b>  Andrea Hirst-Gee/ Steven Hall
<b>Date and Training Topic</b>	7 <sup>th</sup> June 2019  <b>Business Planning</b>  Steven Hall	24 <sup>th</sup> May 2019  <b>Financial Management</b>  Steven Hall

**TRAINING TOPICS FOR 2019-2020:**

- Workforce/ People Strategy
- Procurement Services Strategy
- IT Strategy & Business Change Programme

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