

NORTH YORKSHIRE COUNTY COUNCIL

STATEMENT OF ACCOUNTS 2009/10

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EXPLANATORY FOREWORD

INTRODUCTION

1. The County Council's accounts for the year ended 31st March 2010 are presented in the format laid down in *The Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (SORP) 2009* issued by the Chartered Institute of Public Finance and Accountancy and approved by the Accounting Standards Board "SORP 2009". The statements included in the accounts are as follows:-
 - (a) **the Explanatory Foreword**; the purpose of this Foreword is to act as a guide to the most significant matters impacting on the County Council's finances. It gives an indication of where the County Council's money comes from, what it is spent on and what services it provides as well as it's financial position and assisting in the interpretation of the accounting statements.
 - (b) **the Statement of Accounting Policies**; which explains the principles, bases, conventions and rules applied by the County Council in preparing the Statement of Accounts.
 - (c) **the Statement of Responsibilities for the Statement of Accounts**; this outlines the County Council's responsibilities for the Accounts under local government legislation and any other requirements. It also shows the legal and professional responsibility for the Accounts of the Corporate Director – Finance and Central Services.
 - (d) **the Independent Auditor's Report**; this explains the auditors' responsibilities in relation to the Statement of Accounts. It also expresses an opinion on the Accounts and shows how this opinion was reached. The report also gives a value for money opinion in terms of the arrangements for securing economy, efficiency and effectiveness.
 - (e) **the Income and Expenditure Account**; this shows the Net Cost of the Services provided by the County Council and how this has been financed from general government grants and local tax payers. It also brings together expenditure and income in line with the Best Value Accounting Code of Practice.
 - (f) **the Statement of the Movement on the General Fund Balance**; this includes the adjustments required by statute or non-statutory proper practices to ensure the effective stewardship of public money but which are not compliant with UK Generally Accepted Accounting Practice (GAAP).
 - (g) **note of Reconciling Items for the Statement of the Movement on the General Fund Balance**; this details and explains the items included in the Statement of the Movement on the General Fund Balance.
 - (h) **the Statement of Total Recognised Gains and Losses**; this brings together the gains and losses of the County Council for the year and shows the aggregate decrease in it's net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and the net liability to cover the cost of retirement benefits.
 - (i) **the Balance Sheet**; this shows the Balances and Reserves at the Council's disposal, its long term indebtedness and the fixed and net current assets employed in it's operations.

- (j) **the Cash Flow Statement;** summarises the inflows and outflows of cash arising from transactions with external bodies. It shows where the money has come from and how it has been spent.
 - (k) **notes to the Core Financial Statements;** these provide further details and explanation of the figures included in the Core Financial Statements.
 - (l) **Group Accounts;** the County Council conducts some of its activities through partnerships and separate undertakings. Some of these are not directly reflected in the statements (e) – (j) above due to legal and regulatory reasons. These Group Accounts are required to present a full picture of the Council's economic activities and financial position in order to aid the primary financial statements.
 - (m) **the North Yorkshire Pension Fund Accounts;** which show the income and expenditure of the North Yorkshire Pension Fund together with the financial position of the Fund on 31st March 2010.
 - (n) **the Annual Governance Statement;** this sets out the framework within which financial control and corporate governance is managed and reviewed by the County Council and the main components of the system. It also reports on significant identified weaknesses and the actions undertaken to rectify these.
2. This year's 2009/10 Statement of Financial Accounts will be the final year under which the accounts are prepared and presented using the standards prescribed in SORP 2009. From 2010/11, the County Council's Financial Accounts will be prepared in accordance with *The Code of Practice on Local Authority Accounting in the United Kingdom* (The Code). The Code prescribes the accounting treatment and disclosures for all normal transactions of a local authority and is based on International Financial Reporting Standards (IFRS).

The new Code will have effect from 1st April 2010 and involves interpretations and adaptations of International Accounting Standards and other pronouncements by the International Accounting Standards Board.

SUMMARY OF REVENUE SPENDING

3. The main components of the Revised Budget for 2009/10 and a comparison with the actual position are set out below:-

| | Revised Budget £m | Actual £m | Variation £m |
|-------------------------------------|----------------------|--------------|-----------------|
| Service Net Expenditure | | | |
| Children and Young People's Service | 76.8 | 77.7 | 0.9 |
| Business and Environmental Services | 70.0 | 71.7 | 1.7 |
| Adult and Community Services | 130.6 | 131.9 | 1.3 |
| Chief Executive's Group | 15.1 | 14.4 | (0.7) |
| Finance and Central Services | 19.8 | 15.6 | (4.2) |
| Corporate Miscellaneous | 35.6 | 29.1 | (6.5) |
| | <u>347.9</u> | <u>340.4</u> | <u>(7.5)</u> |
| Financed by: | | | |
| Revenue Support Grant | 18.6 | 18.6 | 0.0 |
| Business Rates Proceeds | 80.7 | 80.7 | 0.0 |
| Precept Income (including arrears) | 237.0 | 237.0 | 0.0 |
| Budgeted contribution from balances | 2.5 | 2.5 | 0.0 |
| | <u>338.8</u> | <u>338.8</u> | <u>0.0</u> |
| Deficit in year | <u>(9.1)</u> | <u>(1.6)</u> | <u>(7.5)</u> |
| Working Balances | | | |
| Start of Year | 21.7 | 21.7 | 0.0 |
| Budgeted contributions in year | (2.5) | (2.5) | 0.0 |
| Deficit in year | (9.1) | } (1.6) | } (9.9) |
| Financing Items | (2.4) | | |
| End of Year | <u>7.7</u> | <u>17.6</u> | <u>(9.9)</u> |

The Service expenditure headings and figures reported above reflect the County Council's organisational and management structure. These are not consistent with the Service headings reported within the Income and Expenditure Account on page 28, which conform with Best Value Accounting Code of Practice (BVACOP) requirements.

The spending, financing and surplus figures reported above are also not the same as those reported in the Income and Expenditure Account. This is because of a number of accounting transactions that are required to be reflected in the Income and Expenditure Account. A brief reconciliation of the two sets of figures are as follows:-

| | Net Expenditure £m | Financing Income £m | Net £m |
|---|--------------------------|---------------------------|-----------|
| County Council's Accounts (as reported on page 4) | 340.4 | (338.8) | 1.6 |
| Budgeted contribution from balances | 0.0 | 2.5 | 2.5 |
| Different treatment of some Government Funding - mainly Area Based Grant | 32.8 | (32.8) | 0.0 |
| Other required accounting entries reflected in the Income and Expenditure Account (£59.4m) | | | |
| - Capital Accounting | 47.9 | | 47.9 |
| - Council Tax Collection Fund Accounting | | (0.6) | (0.6) |
| - Pensions Accounting | 16.7 | | 16.7 |
| - Movement in Earmarked Reserves | (4.6) | | (4.6) |
| Net expenditure / financing income and deficit per Income and Expenditure Account | 433.2 | (369.7) | 63.5 |

4. The 'bottom line' revenue underspend in 2009/10 was £7.5m but this headline figure reflects significant overspends by the three Service Directorates which were identified during the year and reported as part of the Quarterly monitoring process. These overspendings total £6.2m and relate to Adult Social Care, Children's Social Care and costs of maintaining the road network throughout the severe winter.

A total of £10.2m is being carried forward to 2010/11 with the majority being identified well before the end of the financial year. This carry forward includes a combination of managed savings to assist the 2010/11 budget and subsequent year's budgets, earmarked savings to support development initiatives and projects in 2010/11 and spending planned for 2009/10 being deferred and slipping to 2010/11 for a variety of reasons.

The overall £7.5m underspend has therefore been dealt with as follows:-

- overspendings totalling £6.2m being written off in 2009/10
 - carry forward of underspending to 2010/11 of £10.2m
 - a residual underspending of £3.5m on a range of central budgets which is not carried forward to 2010/11.
5. The County Council's working balance for general purposes amounted to £17.6m at 31st March 2010 which reflected a planned contribution of £2.5m towards financing the County Council's overall 2009/10 budget.

The total balances of £17.6m includes planned underspends and managed savings etc. of £10.2m which are carried forward to 2010/11. The effective working balance is therefore £7.4m which is marginally below of the target of £7.7m.

6. Accounting arrangements for Local Management of Schools (LMS) are implemented in accordance with the Schemes of Delegation and LMS funding formula approved by the County Council. At the beginning of the financial year delegated revenue and devolved capital budget allocations and other Department for Education (DfE) grants are made to individual nursery, primary, secondary and special schools. Any underspendings or overspendings on budget allocations are earmarked in the Council's balances and carried forward into the following financial year to supplement or set against that year's budget allocation. There is also some flexibility to carry forward DfE grants as determined by the appropriate grant conditions. The overall unspent LMS balance as at 31st March 2010 was £18.7m.

WHAT THE MONEY IS SPENT ON

7. The following table sets out how the money was spent:-

| | £m |
|--|--------|
| Gross cost of providing County Council Services (See Income and Expenditure Account, page 28) | 948.2 |
| Precepts to Other Authorities | 0.3 |
| Interest Payable | 15.9 |
| Capital Accounting Adjustments | (47.9) |
| FRS17 Pension Adjustment * | 14.4 |
| Movement in Reserves Adjustment | 4.6 |
| = Actual Spending financed from Income, Government Grants, Council Tax and other Government funding | 935.5 |

* This figure represents the Actual Employer Contributions made to the Pension Fund, less the current service costs (as determined by the County Council's actuary) less Early Retirement costs.

8. The following table sets out the main headings of gross expenditure incurred in providing the County Council's services:-

| | £m | % |
|--|-------|-----|
| Employees | 444.5 | 47 |
| Premises | 44.5 | 5 |
| Transport (including transport of school children) | 35.6 | 4 |
| Supplies and Services | 142.2 | 15 |
| Agency and Contracted Services etc | 222.3 | 24 |
| Capital Financing Costs | 46.4 | 5 |
| | 935.5 | 100 |

9. The County Council employed 15,144 full time equivalent staff at the end of the financial year and a breakdown across Directorates is as follows:-

| | | |
|-----------------------------------|--------------|---------------|
| Chief Executive's Group | | 319 |
| Finance and Central Services | | |
| Facilities Management | 587 | |
| Other | <u>339</u> | 926 |
| Children & Young People's Service | | |
| School Teaching Staff | 4,893 | |
| School Non Teaching Staff | 3,819 | |
| Catering Services | 508 | |
| Other | <u>1,822</u> | 11,042 |
| Business & Environmental Services | | 557 |
| Adult & Community Services | | <u>2,300</u> |
| | | <u>15,144</u> |

10. The following table sets out the gross expenditure incurred in providing the main services of the County Council based on the Best Value Accounting Code of Practice service expenditure analysis:-

| | £m | % |
|--------------------------------------|--------------|----------|
| Central Services to the Public | 3.0 | 0 |
| Court Services | 0.8 | 0 |
| Cultural, Environmental and Planning | 53.2 | 6 |
| Children's and Education Service | 594.8 | 63 |
| Highways, Roads and Transport | 65.4 | 7 |
| Adult Social Care | 222.5 | 23 |
| Housing Services | 0.2 | 0 |
| Corporate and Democratic Core | 8.0 | 1 |
| Non-Distributed Costs | <u>0.3</u> | <u>0</u> |
| | 948.2 | 100 |
| Interest Payable | 15.9 | |
| Capital Accounting Adjustments | (47.9) | |
| FRS17 Pension Adjustments | 14.4 | |
| Other Corporate Adjustments | <u>4.9</u> | |
| | <u>935.5</u> | |

WHERE THE MONEY COMES FROM

11. The following table sets out the sources of finance:-

| | £m | % |
|--|--------------|------------|
| Government Specific Grants | | |
| - Dedicated Schools Grant | 318.2 | 35 |
| - Other Specific Grants | 131.9 | 14 |
| Council Tax from District Council Collection Funds | 237.0 | 25 |
| Fees and Charges etc | 108.6 | 12 |
| Uniform Business Rates proceeds | 80.7 | 9 |
| Area Based Grant | 30.7 | 3 |
| Government Revenue Support Grant | 18.6 | 2 |
| Transfer from Balances | 4.1 | 0 |
| Other General Government Funding | 2.0 | 0 |
| Interest and Investment Income | 1.4 | 0 |
| Dividends Received | 1.4 | 0 |
| Other | 0.9 | 0 |
| | <u>935.5</u> | <u>100</u> |

12. The income from District Council Collection Funds of £237.0m includes the precept charge of £237.1m for 2009/10, which is equivalent to a basic amount of Council Tax per Band D property of £1,027.30, less a deficit of £0.1m relating to previous years. The Other Specific Grants mainly relate to Education and include Learning and Skills Council's grant and Standards Fund. Major grants for other services include the Supporting People Initiative.

CAPITAL EXPENDITURE

13. In 2009/10 the County Council spent £114.9m on capital expenditure and a comparison with the original and revised Capital Plan is set out below:-

| | Original Capital Plan £m | Revised Capital Plan £m | Actual £m |
|--|--------------------------------|-------------------------------|--------------|
| Capital Plan | | | |
| Fixed Assets | 128.9 | 116.0 | 109.7 |
| Revenue Expenditure Funded from Capital under Statute / Intangible Assets | 3.2 | 6.6 | 4.2 |
| | <u>132.1</u> | <u>122.6</u> | <u>113.9</u> |
| Other expenditure on fixed assets funded directly from the revenue budget | 0.4 | 0.4 | 1.0 |
| | <u>132.5</u> | <u>123.0</u> | <u>114.9</u> |

Actual Capital spending was therefore £113.9m compared with an original Capital Plan of £132.1m approved in February 2009 and a revised Capital Plan of £122.6m approved in February 2010.

In addition, £1.0m was spent on fixed assets from within Directorate revenue budgets, principally on Vehicles and ICT Equipment.

The above expenditure was funded as follows:-

| | £m | % |
|--|--------------|------------|
| Borrowing | | |
| - from external sources | 0.0 | 0 |
| - from internal sources (internal cash deposits which would otherwise be invested) | 30.3 | 26 |
| Grants from Government Departments | 55.6 | 48 |
| Contributions from External Bodies | 6.8 | 6 |
| Capital Receipts from the Sale of Assets etc | 5.5 | 5 |
| Direct Revenue Funding | 15.7 | 14 |
| | <u>113.9</u> | <u>99</u> |
| Expenditure on fixed assets funded directly from revenue budgets | 1.0 | 1 |
| | <u>114.9</u> | <u>100</u> |

14. The major part of this capital expenditure related to spending on the Children and Young People's Service and Business and Environmental Services. The largest individual areas of capital expenditure were Richmond School - Building Schools for the Future (£9.6m), Forest Moor School (£5.0m), new / replacement road lighting columns (£3.1m) and the rationalisation of highways depots and salt barns (£2.7m).
15. Total borrowing for capital purposes at 31st March 2010, was £380.4m which includes both external borrowing and borrowing from internal sources and consists of the following:-

| | £m |
|---|--------------|
| External Borrowing | |
| Public Works Loans Board (PWLB) | 303.9 |
| Other Institutions | 20.0 |
| Total External Borrowing | <u>323.9</u> |
| Temporary Borrowing from Surplus Cash Balances | 57.7 |
| Less: relating to debt administered on behalf of North Yorkshire Police Authority | (1.2) |
| | <u>380.4</u> |

The Capital Financing Requirement (CFR) at 31st March 2010 was £385.9m which includes the Capital Borrowing Requirement of £380.4m reported above together with other long term Private Finance Initiative (PFI) liabilities of £5.5m.

LOCAL GOVERNMENT PENSION FUND

16. This Statement of Accounts includes a section on the Accounts of the North Yorkshire Pension Fund. The impact of the County Council's participation in this Fund is reflected in the County Council's Accounts based upon the requirements of FRS 17 – Accounting for Retirement Benefits. FRS 17 requires that pension costs are recorded in the year in which the benefit entitlements are earned by the employees rather than the year in which the pensions and employers' contributions are actually paid. Also, any net liability arising from a deficit on the Pension Fund should be reflected on the Balance Sheet as calculated under the prevailing market conditions.
17. The results of the 2007 Triennial Valuation were produced in 2007/08 when the Actuary completed a detailed analysis of the Fund's liabilities. These results were used to determine

employer contribution rates for the 3 years from 2008/09 and as the basis for the FRS 17 calculations from 2007/08. In the two years between each Triennial Valuation approximations are used to calculate the FRS 17 figures, as permitted in the guidance, and hence this year a number of adjustments are required to the assumptions.

The funding level calculated by the Actuary as at 31st March 2009 was 35.2% which was less than the 56.1% quoted in the 2007/08 final Accounts as a result of deteriorating conditions in financial markets across the world. Following an excellent year for the Fund's assets the funding level has risen to 57.5% as at 31st March 2010. Full details of the management of the Fund and its investment performance are available in the Annual Report of the Fund.

18. The total reported pension liability of the County Council has increased over the year from £410.6m to £492.4m. This increase, (£81.8m), is mainly as a result of the change in the discount rate used to value liabilities.

The Fund's assets performed significantly better than the assumptions made at the start of the year resulting in an actuarial asset gain of £170m. This is due to the actual return of around 56% compared to the "expected" return calculated at the start of the year of 6.5%. The over-performance was a direct consequence of the exceptional market conditions over the year.

The North Yorkshire Pension Fund has an investment strategy in place to address its funding deficit over the remaining 24 years of the 30 year recovery plan. This is based upon an appropriate level of employer contributions over the period producing positive cash flow into the Fund.

Due to its nature, the liability cannot occur immediately as it represents benefit payments to pensioners over their lifetime. As a significant proportion of the membership is still actively contributing to the Fund, the liability spread will be in excess of 50 years.

Note 5 of the Statement of Financial Accounts refers to the decision by HM Treasury, following the June 2010 Emergency Budget announcement, to change the basis of valuation of liabilities effective from April 2011.

CHANGES IN ACCOUNTING POLICY

19. The County Council has made two changes in Accounting Policy in 2009/10.

Accounting for Private Finance Initiative (PFI) Schemes: this Accounting Policy relates to how the County Council accounts for the Fixed Assets (buildings) associated with a PFI Contract held between the County Council and a PFI Operator for four replacement primary schools. A PFI Operator provides a service to the County Council for the running of these schools and is responsible for constructing or enhancing school buildings for the provision of delivering education services, and operating and maintaining these properties for a specified period of time, (in this case the scheme is for 25 years and commenced in 2002), in exchange for an annual "unitary" payment. This change arises as a result of the introduction of an International Financial Reporting Standard (IFRIC 12) on Service Concessionary Arrangements. Under IFRIC 12 the County Council must now bring on to its Balance Sheet the Fixed Assets (school buildings) and Long-term Liabilities owed to the PFI Operator for the construction and enhancement of the School Buildings. The school buildings are subject to depreciation which is charged to the County Council's Income and Expenditure Account.

The annual Unitary Payment is now split down into three elements relating to:-

- interest payments

- principal repayment of outstanding liabilities
- revenue payments for maintaining and running the properties.

Accounting for Council Tax Income: SORP 2009 contains a key change in how the County Council accounts for Council Tax in both the Income and Expenditure Account and the Balance Sheet. Prior to 1st April 2009, the County Council's accounts simply showed the annual precept levied against the seven District Council Tax Collection Fund Accounts. The SORP 2009 has determined that the Collection of Council Tax by a Billing Authority is in substance an agency arrangement. The County Council's accounts now need to be adjusted to show:

- Income and Expenditure Account: the County Council's share of the carried forward Collection Fund's surpluses and deficits of all seven District Councils as at 31st March 2010, rather than simply the value of Council Tax paid over by District Councils during 2009/10 as part of the 2009/10 levy on Collection Fund Accounts
- Balance Sheet: Debtor provision for the County Council's share of Council Tax arrears and a provision for bad debts in relation to Council Tax arrears. Creditor provision also needs to be made for Council Tax payments received by Districts in advance of 2010/11. A further adjustment is required to reflect the difference between the level of Council Tax actually collected in 2009/10 compared to the Council Tax levies actually paid over to the County Council as precept funding.

These changes are mitigated by the introduction in the Balance Sheet of a new Collection Fund Adjustment Account. This Account (reserve) acts to negate any differences between precept funding collected on behalf of the County Council in 2009/10 and actual precept funding passed over to the County Council and budgeted for in 2009/10.

CHANGES TO THE STATEMENT OF ACCOUNTS

20. A number of additional changes have been made to the 2009/10 Statement of Accounts.

The Accounts and Audit Regulations 2009 require an enhanced disclosure note regarding senior officer remuneration. This disclosure note lists in more specific detail, the job titles of senior County Council officers who report directly to the Chief Executive, with further details on their salary, any bonuses, expense allowances chargeable for Income Tax, employer Pension Contributions and other emoluments.

The removal of a number of disclosure notes in relation to Expenditure on Publicity, Income from other local authorities and Section 137 Expenditure.

The Corporate Director – Finance and Central Services as Section 151 Officer is now required, in line with UK GAAP to state that the Statement of Financial Accounts present a True and Fair View of the financial position of the County Council and the Pension Fund and their income and expenditure for the year. This statement has been amended (previously only reflected a “presented fairly” declaration) as a result of a change in law and reflects the incorporation of various accounting changes in recent years to more closely align local authority financial accounts to private sector entities.

Veritau Limited's Accounts for 2009/10 have been incorporated into the County Council's Group Accounts as a Joint Venture to reflect their first period of trading.

MATERIAL CONTINGENT LIABILITIES

21. A Material Contingent Liability in relation to the Scarborough Integrated Transport Major Highways Scheme has been identified. Under Part 1 of the Land Compensation Act 1973, compensation may be payable to residents who live near a new road improvement even if no part of their property is actually developed upon. Claims made against this road scheme have been received, and will be assessed and processed during 2010/11. However, prior to this assessment taking place, the total potential financial liability cannot be determined at present.

THE EURO

22. The County Council has not committed itself to incurring expenditure to meet preparation for the Euro but continues, however, to monitor developments concerning the Euro.

GROUP ACCOUNTS

23. The SORP 2009 requires all Local Authorities to consider their relationships with associated companies, strategic partnerships, joint ventures and any other service delivery vehicles and to produce Group Accounts where a significant exposure to economic benefits or financial risks can be established.

Work has been undertaken to document all the entities connected with the County Council and their financial relationship. Following Chartered Institute of Public Finance and Accountancy (CIPFA) guidance on Group Accounts, it has been established that the County Council has group relations with five bodies:-

- Yorwaste Limited
- NYnet Limited
- North Yorkshire Business and Education Partnership
- Veritau Limited
- Yorkshire Purchasing Organisation.

These have been consolidated into the financial statements of the County Council, where appropriate, and a full set of equivalent "group" financial statements have been produced. The major impact on the County Council's financial results are in relation to:-

- Yorwaste Limited, a subsidiary waste disposal company
- NYnet Limited, a company providing a broadband infrastructure in North Yorkshire
- Veritau Limited, a company providing Internal Audit and Information Governance Services.

The full set of Group Accounts and the financial implications are seen on pages 77 to 86.

John Moore
Corporate Director – Finance and Central Services and Acting Head of Paid Service
Finance and Central Services
County Hall
Northallerton

16th June 2010

STATEMENT OF ACCOUNTING POLICIES

1. General

The purpose of this statement is to explain the basis for the Recognition, Measurement and Disclosure of transactions and other events in the Accounts.

These Accounts have been prepared in accordance with *The Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice*, (SORP), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The accounting policies adopted have been used consistently throughout the current and prior period with the exception of the items disclosed in paragraph 19 of the Explanatory Foreword. Any significant non compliance with the SORP is disclosed as part of the relevant financial statement.

2. Fixed Assets – Tangible Assets

Recognition

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the Accounts. Expenditure is capitalised, provided that the asset yields benefits to the authority, for a period of more than one year, and it meets the accepted definition of capital expenditure in line with Financial Reporting Standard (FRS) 15 on "Tangible Fixed Assets". This excludes expenditure on routine repairs and maintenance which is charged direct to service Revenue Accounts. A de minimus level of £20k has been adopted by the County Council in relation to capital expenditure.

Measurement

Fixed Assets are initially measured at cost, comprising all expenditure directly attributable to bringing the asset into working condition for its intended use. Fixed Assets are valued on the basis required by the SORP and in accordance with the Appraisal and Valuation Standard issued by The Royal Institution of Chartered Surveyors (RICS). Asset Valuations are carried out on a five year "rolling programme" basis by Bruton Knowles, an external land and property consultancy organisation.

Fixed Assets are classified into the groupings required by the SORP 2009 with assets being valued on the following basis:-

- Land and Buildings are included in the Balance Sheet at the lower of their net current replacement cost or net realisable value in their existing use, net of depreciation
- Vehicles, Plant and Equipment
- Non-operational assets, (usually assets that are surplus to requirements), are included in the Balance Sheet at their open market value
- Infrastructure assets, (mainly roads), are included in the Balance Sheet at historical cost, net of depreciation.

A Revaluation Reserve for Fixed Assets is held in the Balance Sheet made up of unrealised revaluation gains relating to individual Fixed Assets, with movements in valuations being managed at an individual level.

Surpluses arising on the revaluation of Fixed Assets have been credited to the Revaluation Reserve to recognise unrealised gains. Revaluations of Fixed Assets are carried out on a five year rolling programme basis, so that all material Fixed Assets will be professionally valued at least once every five years. A desk top valuation exercise can take place, however, if the valuer believes that the Land and Property market has moved significantly to warrant an interim asset valuation.

The Revaluation Reserve contains revaluation gains recognised since 1st April 2007 only, the date of this reserve's formal implementation. Gains arising before that date were subsequently consolidated into the Capital Adjustment Account.

On an annual basis all Fixed Assets are reviewed for evidence of impairment by the external valuer in line with the guidance given in FRS 11. There are two types of impairment where the accounting treatment is different:-

- clear consumption of economic benefit (e.g. obsolescence or physical damage to a fixed asset)
- a fall in prices (e.g. a significant decline in a fixed asset's market value).

When a Fixed Asset has been impaired in value during the year, the reason for the reduction in its value has to be identified as the accounting treatment is different. In general, where the impairment loss is attributable to a clear consumption of economic benefit the impairment loss is charged to the Income and Expenditure Account and any revaluation gains attributable to the asset (up to the amount of the loss) are transferred from the Revaluation Reserve to the Capital Adjustment Account. Where the impairment loss is attributable to a general fall in prices if there are accumulated gains in the revaluation reserve for the particular asset then the loss can be written off to the revaluation reserve up to the level of the accumulated gain. Where there are insufficient accumulated gains, the impairment loss is treated as if there had been a clear consumption in economic benefit and charged to the Income and Expenditure Account.

Receipts from the disposal of Fixed Assets are accounted for on an accruals basis. When an asset is disposed of, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account, as is the disposal receipt. These amounts are not a charge or receipt to council tax as the cost of Fixed Assets is fully provided for under separate arrangements for capital financing. The asset value written off is appropriated to the Capital Adjustment Account, the capital receipt to the Usable Capital Receipts Reserve, via the Statement of Movement on the General Fund Balance. Any revaluation gains that have accumulated in the revaluation reserve are transferred to the Capital Adjustment Account.

Usable Capital Receipts have been used to finance capital expenditure based on the policy of the County Council.

3. Intangible Assets

Intangible Assets represent Fixed Assets that do not have physical substance, but are identifiable and are controlled by the County Council through custodial or legal rights. All purchased Intangible Assets are capitalised at historical cost in line with the SORP.

In line with other Fixed Assets, their useful economic life is determined based on the length of time that the benefit will accrue to the County Council. Based on the best estimate of the

useful economic life, the intangible asset is charged to the Income and Expenditure Account over this period.

4. Depreciation

Depreciation is provided for on all Fixed Assets with a finite useful life (this can be determined at the time of acquisition or revaluation) according to the following policy:

- in accordance with the Best Value Accounting Code of Practice, all buildings (but not their land) are depreciated over their remaining useful lives. A land and building split has been determined by the County Council's valuers. Estimates of the useful life are determined for each property as part of the valuation process. These generally vary from 15 to 30 years
- Infrastructure is depreciated over a 40 year period
- Vehicles, Plant, Furniture and Equipment is depreciated over a number of years depending on the nature of the asset. This is normally 6 years.

Depreciation is calculated on a straight-line basis with no residual value being assumed. Depreciation has been charged in the year of asset acquisition and also in the year of revaluation.

Current value depreciation is charged to the Income and Expenditure Account but does not impact on council tax and is written off to the Capital Adjustment Account via the Statement of Movement on the General Fund Balance. Where the assets have been re-valued the current value depreciation will be higher than the historic cost depreciation and, this unrealised gain which is accumulated in the revaluation reserve, is written down to the Capital Adjustment Account.

5. Charges to Revenue

Service Revenue Accounts, Support Services and trading accounts are charged with the following amounts to record the real cost of holding fixed assets throughout the year:-

- depreciation attributable to the assets used by the relevant service;
- impairment losses attributable to fixed assets used by the service;
- amortisation of intangible assets attributable to the service; and
- gains or losses on the disposal of Fixed Assets.

The County Council does not raise Council Tax to cover depreciation, impairment loss or amortisations. The County Council does, however, make an annual provision from revenue to reduce its borrowing requirement, (equal to approximately 4% of the Capital Financing Requirement). Depreciation, impairment losses, amortisation and gains or losses on the disposal of Fixed Assets are therefore written out in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account.

6. Revenue Expenditure Funded from Capital under Statute (replaces Deferred Charges)

Revenue Expenditure Funded from Capital under Statute represents expenditure which may be properly capitalised, but which does not result in the creation of any fixed asset to the County Council. In line with the guidance contained in the SORP 2009, this expenditure is written off to the Income and Expenditure Account in the year the expenditure is incurred, because the authority does not control the economic benefits arising from this expenditure.

7. Long-Term Investments

Shareholdings in associated companies are valued at historic cost based on the acquisition price paid. Other long term investments, in the form of deposits with banks / building societies, are valued at amortised cost using the effective interest rate method. This is in accordance with FRS 26 and the requirement for financial assets to be classified as loans and receivables if they have fixed or determinable payments and are not quoted in an active market (e.g. stock market).

8. Debtors and Creditors

The revenue and capital accounts of the County Council are, in general, maintained on an accruals basis in accordance with FRS 18 – Accounting Policies. The Accounts reflect sums due to or incurred by the Council during the year whether or not the amount has actually been received or paid in the year. Appropriate provision has been made, therefore, for Creditors and Debtors at 31st March 2010.

9. Grants

Revenue grants are accrued and credited to income in the same period in which related expenditure is charged. This is in line with the matching concept outlined in FRS 18 and Statement of Standard Accounting Practice (SSAP) 4 “Accounting for Government Grants”.

Where the acquisition of a fixed asset is financed either wholly or in part by a government grant, (or other contribution), the amount is credited initially to the Capital Grants Deferred Account. Amounts are then released to Services’ Income and Expenditure Accounts over the asset’s useful economic life, thereby matching the depreciation charge. This is again consistent with the principles outlined in SSAP4.

Government grants and other contributions are accounted for on an accruals basis and recognised in the financial statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received.

10. VAT

Income and Expenditure transactions exclude any amounts relating to VAT as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them.

11. Leases

The County Council has only entered into leasing arrangements that are defined by SSAP21 “Leases and Hire Purchase Contracts” as operating leases. In these cases the rentals payable are charged to revenue on a straight line basis over the lease term.

12. Private Finance Initiative (PFI) and Similar Contracts

PFI contracts are fixed-term agreements whereby the County Council receives a service from a PFI contractor and the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. These Fixed Assets are deemed to be owned by the County Council because:

- the County Council control the services that are provided under its PFI schemes for the duration of the fixed-term contract; and
- ownership of the Fixed Assets pass to the County Council at the end of the contract for no additional charge.

If the PFI arrangement meets the above two criteria, it is the Accounting Policy of the County Council to carry the Fixed Assets used under this type of contract onto its Balance Sheet. In addition the County Council recognises a liability for amounts due to the PFI operator to pay for those assets for the duration of the PFI Contract.

The Fixed Assets associated with PFI Contracts, which are recognised on the Balance Sheet are depreciated and revalued in the same way as all other Fixed Assets directly owned by the County Council.

The amounts payable to the PFI contractor on an annual basis for the provision of services are referred to as Unitary Charges. The Unitary Charge is split into the following elements:

- payment for the provision of day-to-day services during the year. These are charged to the relevant BVACOP service headings in the Income and Expenditure Account;
- payment towards reducing the liability associated with the cost of the asset. This is included within the annual Minimum Revenue Provision which the County Council sets aside to repay external debt and liabilities; and
- interest charges on the outstanding Balance Sheet liability which are charged against Interest Payable in the Income and Expenditure Account.

13. Interest Charges and Income

Interest payable on external borrowing, together with interest income, is accrued and accounted for in the period to which it relates.

14. Financial Instruments

A Financial Instrument is defined as: “*any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another*”. Although this covers a wide range of items, the main implications are in terms of investments and borrowings.

As reflected in the SORP 2009, accounting standards on Financial Instruments FRS 25, 26 and 29 cover the concepts of recognition, measurement, presentation and disclosure.

A financial asset or liability should be recognised on the Balance Sheet when, and only when, the holder becomes a party to the contractual provision of the instrument.

Financial liabilities and assets are initially measured at fair value less transaction costs and carried at their amortised cost. Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable and willing parties in an arms length transaction. Annual charges to the Income and Expenditure Account for interest payable and receivable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For the borrowings and investments of the County Council, this means that the amount included in the Balance Sheet is the outstanding principal repayable plus accrued interest to the end of the financial year. Interest charged to the Income and Expenditure Account is the effective amount payable for the year in the loan agreement (which is not necessarily the cash amount payable).

When long term borrowing is reviewed for rescheduling opportunities, the early repayment results in gains and losses (discounts and premiums) which are credited or debited to the Income and Expenditure Account. If the County Council decides to write off these gains or losses on early repurchase/settlement then this can be done over 10 years or over the life of the new loan or over a shorter more prudent time scale. The Income and Expenditure Account is charged with one year related costs with the rest being taken to the Financial Instruments Adjustment Account in the Balance Sheet via the Statement of Movement on the General Fund Balance. The accounting policy is to charge gains and losses to Net Operating Expenditure in the year of repurchase/settlement.

The County Council has the power to advance loans to Voluntary Organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Income and Expenditure Account for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the Voluntary Organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provision requires that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year. The reconciliation of amounts debited and credited to the Income and Expenditure Account to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

15. Stocks and Stores

Stocks and stores have generally been included in the Accounts at cost price. Any obsolete and slow moving items are written-off during the year and netted off against the value of the stock shown in the Balance Sheet. No amounts are included for such items as stocks at Adult and Community Services residential homes, and stocks at special schools and outdoor education centres due to their size. This treatment differs from the requirements of SSAP9 "Stocks and Long Term Contracts", which requires these items to be shown at the lower of cost or net realisable value. It is considered that this difference in treatment (together with the exclusion of certain types of stock) does not have a material effect on the values stated.

16. Landfill Allowances Trading Scheme (LATS)

CIPFA's LAAP Bulletin 64 has been followed in respect of accounting for the LATS Scheme. All the LATS Allowances given to the County Council are treated as Intangible Assets and have been valued at zero.

The receipt of allowances is equivalent to a government grant under SSAP4 and the use of allowances is a potential liability to the Department of Food and Rural Affairs. LATS is

additional income and expenditure on Waste Management activities for relevant Authorities. Any unused allowances cannot be carried forward into 2009/10 under the LATS regulations.

17. Allocation of Support Services Costs

The costs of Support Services provided by Corporate Service Units have been allocated to the relevant Services largely on the basis of the estimated time spent by officers. A proportion of the costs of Finance and Central Services and the Chief Executive's Group costs have been charged to the Pension Fund in respect of the administration of that Fund.

All recharges of support services costs are consistent with the principles outlined in the Best Value Accounting Code of Practice.

18. Provisions

Provision has been made in the Income and Expenditure Account for liabilities that have been incurred by the County Council, but where the amounts or dates on which they will arise are uncertain.

Provisions are required to be recognised when the local authority has a present obligation, as a result of a past event, where it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation, (FRS 12 – Provisions, Contingent Liabilities and Contingent Assets).

When expenditure is incurred to which the provision relates, it is charged directly against the provision in the Balance Sheet and not against the Income and Expenditure Account.

Estimated settlements are reviewed at the end of each financial year. Where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service Income and Expenditure Account.

Where some or all of the payment required to settle a provision is expected to be met by another third party (e.g. from an insurance claim), this is only recognised as income in the relevant service Income and Expenditure Account if it is virtually certain that reimbursement will be received if the obligation is settled.

19. Reserves

The County Council maintains a General Fund Working Balance and also holds reserves earmarked for specific purposes which are detailed in Note 25 to the Notes to the Core Financial Statements.

Under arrangements for Local Management of Schools (LMS) budget allocations are made to individual establishments at the start of each financial year. Any underspendings or overspendings against budget allocations are carried forward into the following financial year's budget allocation by way of the LMS reserve.

When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service Income and Expenditure Account in that year and represents a charge against the Net Cost of Services. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against Council Tax for the expenditure.

The Revaluation Reserve and the Capital Adjustment Account are “technical” reserves which are maintained to manage the accounting processes for tangible fixed assets. The Pension Reserve is a reserve which has been set up to manage the accounting process for retirement benefits and does not represent usable resources for the County Council.

20. Pensions

The pension liabilities of the County Council are to be accounted for using FRS 17 principles. The County Council participates in two different pension schemes which meet the needs of employees in particular services. Both the schemes provide members with defined benefits related to pay and service. These are explained in more detail in note 5 of the Notes to the Core Financial Statements.

In line with the accounting policies outlined in the SORP 2009, the County Council has complied with the requirements of FRS 17 – Accounting for Retirement Benefits and in particular:-

- the assets of each scheme are measured at fair value;
- the attributable liabilities of each scheme are measured on an actuarial basis;
- quoted securities and unitised securities are measured at current bid-price, unquoted securities are measured using a professional estimate and property is valued at latest market value;
- the scheme liabilities are discounted at a rate based upon long dated, AA rated, corporate bonds which reflects the time value of money and the characteristic of the liability;
- the deficit in the scheme is the shortfall of the value of assets over the present value of liabilities;
- the current service cost is based on the most recent actuarial valuation at the beginning of the period;
- the interest cost is based on the discount rate and present value of liabilities at the beginning of the period;
- the expected return on assets is based on long-term expectations at the beginning of the period;
- actuarial gains and losses may arise from a new valuation or updates to the latest valuation;
- past service costs are disclosed on a straight-line basis over the period the increased benefits; and
- gains / losses arising on settlement or curtailment are measured at the date all parties become irrevocably committed to the transaction.

In assessing liabilities for retirement benefits at 31st March 2009 for the 2008/09 Statement of Accounts, the Actuary assumed a discount rate of 3.8% real (7.1% actual), a rate based upon the current rate of return on a high quality corporate bond of equivalent currency and term to scheme liabilities. For the 2009/10 Statement of Accounts, the Actuary has advised that a rate

of 2.3% real (5.6% actual) is appropriate which has resulted in an increase in the actuarial value of liabilities measured at today's prices of around 22.8% (£233.2m).

The provisions of the Local Government Pension Scheme (LGPS) were changed in 2009/10, following the introduction of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

21. Goodwill

In line with the requirements of FRS 10 - Goodwill and Intangible assets, purchased goodwill has been calculated as the difference between the cost of an acquired entity and the aggregate of the fair value of that entity's identifiable assets and liabilities. Any amounts of goodwill will be included in the County Council's Balance Sheet as an asset recognising that goodwill is part of a larger transaction i.e. an investment.

22. Trust Funds Administered by the County Council

Trust Funds administered by the County Council have not been included in the Balance Sheet, in accordance with the provisions of the SORP 2009. The nature and extent of Trust Funds is, however, disclosed as note 33 of the Notes to the Core Financial Statements.

23. Group Accounts

The County Council has financial relationships with a number of entities and partnerships and, therefore, is required to prepare Group Accounts in addition to its main financial statements.

In preparing Group Accounts the County Council has followed CIPFA guidance and in general, the following policies have been applied:-

- all financial relationships within the scope of Group Accounts have been assessed;
- the County Council's accounts have been aligned with UK GAAP (Generally Accepted Accounting Practice) and therefore a number of adjustments have been made to the main financial statements when the SORP diverges with the UK GAAP. This is in order to achieve consolidation on a comparable basis;
- subsidiary undertakings have been accounted for in line with the provisions of FRS 2 - Accounting for Subsidiaries;
- Associates and joint ventures have been accounted for in line with the provisions of FRS 9 - Associates and Joint Ventures;
- simple investments have been left at their value in the County Council's Balance Sheet; and
- financial interests that do not have a material impact on the Group Accounting Statements have not been consolidated.

24. Presentation of Accounting Statements

The analysis of expenditure in the Income and Expenditure Account conforms to the service expenditure analysis set out in the Best Value Accounting Code of Practice.

25. Council Tax Income

SORP 2009 provides guidance on how local authorities account for Council Tax Income. Billing authorities in England maintain a separate fund for the collection and distribution of Council Tax. The Billing Authority collects and distributes Council Tax on behalf of itself and other major preceptors such as the County Council.

Council Tax income collected by Billing Authorities is credited to the Collection Fund on an annual basis. The amount credited to the General Fund under statute is the County Council's precept or demand for the year, plus the authority's share of the surplus (or deficit) on the Collection Fund for the previous year.

The County Council's Income and Expenditure Account now shows the value of accrued Council Tax Income in a financial year rather than the current year's precept plus or minus the previous year's share of each Billing Authority's Collection Fund surplus or deficit.

The difference between accrued precepts received and actual precepts received does not impact on the General Fund or the Revenue Budget of the County Council in 2009/10, and is taken to the Collection Fund Adjustment Account in the Balance Sheet and included as a reconciling item in the Statement of Movement of General Fund Balance.

SORP 2009 determines that the collection of Council Tax by a billing authority is in substance an agency arrangement, and the cash collected by billing authorities from Council Tax Debtors belongs proportionately to the billing authority and major preceptors.

The County Council also makes provision for the following values in its Balance Sheet as at 31st March 2010:

- Debtor provision for the County Council's share of Council Tax arrears;
- Provision for bad debts of Debtors in relation to Council Tax arrears;
- Creditor provision for Council Tax over-payments and pre-payments; and
- Creditor or Debtor provision where the billing authority has under or over collected Council Tax in-year against what it actually paid over to the County Council 2009/10.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority is required to:

- (a) 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 authority, that officer is the Corporate Director - Finance and Central Services;
- (b) manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets; and
- (c) approve the Statement of Accounts.

The Corporate Director - Finance and Central Services is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice').

In preparing this Statement of Accounts, the Corporate Director - Finance and Central Services has:

- (a) selected suitable accounting policies and then applied them consistently;
- (b) made judgements and estimates that were reasonable and prudent; and
- (c) complied with the Code of Practice.

The Corporate Director - Finance and Central Services has also:

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

CERTIFICATE OF THE CORPORATE DIRECTOR - FINANCE AND CENTRAL SERVICES

I certify that the Statement of Accounts 2009/10 presents a true and fair view of the financial position of the County Council and the North Yorkshire Pension Fund at the accounting date and their income and expenditure for the year ended 31st March 2010.

John Moore
Corporate Director - Finance and Central Services
30th September 2010

Co signed by,
Richard Flinton
Chief Executive
30th September 2010

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS
OF NORTH YORKSHIRE COUNTY COUNCIL

Opinion on the Authority and Group accounting statements

We have audited the Authority and Group accounting statements and related notes of North Yorkshire County Council for the year ended 31 March 2010 under the Audit Commission Act 1998. The Authority and Group accounting statements comprise the Authority and Group Income and Expenditure Account, the Authority Statement of the Movement on the General Fund Balance, the Authority and Group Balance Sheet, the Authority and Group Statement of Total Recognised Gains and Losses, the Authority and Group Cash Flow Statement and the related notes 1 to 37. The Authority and Group accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of North Yorkshire County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission. Our audit work has been undertaken so that we might state to the Authority those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Corporate Director – Finance and Central Services and auditor

The Corporate Director – Finance and Central Services responsibilities for preparing the accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the Authority and Group accounting statements and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Authority and Group accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial position of the Group and its income and expenditure for the year.

We review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. We report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information we are aware of from our audit of the accounting statements. We are not required to consider, nor have we considered, whether the governance statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

We read other information published with the accounting statements and related notes as described in the contents section and consider whether it is consistent with the audited accounting statements.

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Authority and Group accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority and Group accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Authority and Group accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Authority and Group accounting statements and related notes.

Opinion

In our opinion:

- The Authority accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended; and
- The Group accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Group as at 31 March 2010 and its income and expenditure for the year then ended.

Opinion on the pension fund accounting statements

We have audited the pension fund accounting statements for the year ended 31 March 2010 under the Audit Commission Act 1998. The pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 23. The pension fund accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of North Yorkshire County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission. Our audit work has been undertaken so that we might state to the Authority those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Corporate Director – Finance and Central Services and auditor

The Corporate Director – Finance and Central Services responsibilities for preparing the pension fund accounting statements, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the pension fund accounting statements and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the pension fund accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial transactions of the pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

We read other information published with the pension fund accounting statements and related notes as described in the contents section and consider whether it is consistent with the audited pension fund accounting statements.

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the pension fund accounts and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the pension fund accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the pension fund accounts and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the pension fund accounting statements and related notes.

Opinion

In our opinion the pension fund accounting statements and related notes give a true and fair view, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial transactions of the Pension Fund during the year ended 31 March 2010, and the amount and disposition of the fund's assets and liabilities as at 31 March 2010, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's Responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

Auditor's Responsibilities

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. We report if significant matters have come to our attention which prevent us from concluding that the Authority has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, and the supporting guidance, we are satisfied that, in all significant respects, North Yorkshire County Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

Certificate

We certify that we have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Christopher D Powell (FCA) (Engagement Lead)
for and on behalf of Deloitte LLP
Appointed Auditor
Leeds, United Kingdom
30 September 2010

INCOME AND EXPENDITURE ACCOUNT 2009/10

| As restated 2008/09 (Note 1) Net Expenditure £000 | | 2009/10 Gross Expenditure £000 | 2009/10 Gross Income £000 | 2009/10 Net Expenditure £000 |
|--|--|---|------------------------------------|---------------------------------------|
| 2,666 | Central Services to the Public | 2,975 | (1,238) | 1,737 |
| 705 | Court Services | 785 | 0 | 785 |
| 41,315 | Cultural, Environmental & Planning Services | 53,214 | (7,073) | 46,141 |
| 124,921 | Children's and Education Services | 594,810 | (464,927) | 129,883 |
| 51,835 | Highways, Roads and Transport Services | 65,419 | (5,582) | 59,837 |
| 140,911 | Adult Social Care | 222,450 | (79,743) | 142,707 |
| 358 | Housing Services | 201 | 0 | 201 |
| 8,205 | Corporate and Democratic Core | 7,993 | (126) | 7,867 |
| 714 | Non Distributed Costs | 331 | (47) | 284 |
| 371,630 | Net Cost of Services | 948,178 | (558,736) | 389,442 |
| 91 | Deficit / (Surplus) on corporate trading undertakings | | | (709) |
| (915) | Dividends Received (note 37b) | | | (1,390) |
| 303 | Precepts of Local Precepting Authorities (note 9) | | | 381 |
| 17,875 | Interest payable and similar charges (note 37b) | | | 15,886 |
| (6,961) | Interest and investment income (note 37b) | | | (1,398) |
| 19,039 | Pensions interest cost & expected return on pensions assets (note 5) | | | 31,147 |
| 14,186 | Loss / (Profit) on Disposal of Fixed Assets (note 14) | | | (197) |
| 415,248 | Net Operating Expenditure | | | 433,162 |
| (226,633) | Demand on District Council Collection Funds for Council Tax (note 4) | | | (237,584) |
| (83,093) | Non-domestic rates distribution (note 4) | | | (80,697) |
| (27,637) | Area Based Grant (notes 4 and 36) | | | (30,723) |
| (11,567) | Government Revenue Support grant (note 4) | | | (18,626) |
| (1,062) | Other Government Funding (note 4) | | | (2,020) |
| (349,992) | Total Funding | | | (369,650) |
| 65,256 | Deficit for the Year | | | 63,512 |

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

| As restated 2008/09 £000 | | 2009/10 £000 |
|-----------------------------------|---|-----------------|
| 65,256 | Deficit for the year on the Income & Expenditure Account | 63,512 |
| (71,764) | Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year (page 30) | (59,393) |
| <u>(6,508)</u> | Increase / (Decrease) in General Fund Balance for the Year | <u>4,119</u> |
| (15,180) | General Fund Balance brought forward | (21,688) |
| <u>(21,688)</u> | General Fund Balance carried forward | <u>(17,569)</u> |
| 0 | Amount held by Schools Under Local Management Schemes | 0 |
| (9,121) | Amount earmarked for spending in 2010/11 | (11,097) |
| (12,567) | Amount generally available for new expenditure | (6,472) |
| <u>(21,688)</u> | | <u>(17,569)</u> |

The Amount of General Fund Balance held by schools under local management schemes for the County Council is nil. This is due to all school balances being held in individual school bank accounts.

**NOTE OF RECONCILING ITEMS FOR THE STATEMENT OF MOVEMENT ON
THE GENERAL FUND BALANCE**

| As restated 2008/09 £000 | | 2009/10 £000 |
|---|--|------------------|
| Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year | | |
| (1,304) | Amortisation of intangible fixed assets | (1,284) |
| (59,237) | Depreciation and Impairment of fixed assets | (63,769) |
| (18,020) | Impairment from non enhancing capital expenditure | (24,572) |
| 10,531 | Government Grants Deferred amortisation | 14,027 |
| (2,899) | Write downs of Revenue Expenditure funded from Capital under Statute to be financed from capital resources | (3,573) |
| (14,186) | Loss / (Profit) on Disposal of Fixed Assets | 197 |
| (49,548) | Net charges made for retirement benefits in accordance with FRS 17 | (52,242) |
| (1,377) | Adjustment for net Council Tax surplus / (deficit) | 667 |
| <u>(136,040)</u> | | <u>(130,549)</u> |
| Amounts not included in the Income and Expenditure Account but required by statute when determining the Movement on the General Fund Balance for the year | | |
| 13,449 | Minimum revenue provision for capital financing | 14,405 |
| 12,654 | Capital Expenditure charged to the General Fund Balance | 16,691 |
| 33,540 | Employer's contributions payable to the North Yorkshire Pension Fund and retirement benefits payable direct to pensioners | 35,476 |
| <u>59,643</u> | | <u>66,572</u> |
| Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year | | |
| 4,633 | Net transfer to or from earmarked reserves | 4,584 |
| <u>(71,764)</u> | Net additional amount required to be credited to the General Fund Balance for the year | <u>(59,393)</u> |

This statement provides further supporting details to the Statement of Movement on the General Fund Balance on page 29.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

| As restated 2008/09 £000 | | 2009/10 £000 |
|--------------------------------|--|-----------------|
| 65,256 | Deficit for the year on the Income and Expenditure Account | 63,512 |
| (4,923) | Surplus arising on revaluation of fixed assets | (20,364) |
| 29,890 | Actuarial losses on pension fund assets and liabilities | 65,050 |
| <u>90,223</u> | Total recognised losses for the year | <u>108,198</u> |

The above statement summarises the reasons for the movement in the net worth of the County Council's Balance Sheet (page 32) between March 2009 and March 2010 from £775.9m to £667.7m.

The 2008/09 Deficit for the year on the Income and Expenditure Account has been restated from £63,885k to £65,256k due to accounting changes in relation to PFI and Collection Fund Accounting (See Note 1 – Prior Period Adjustments). Prior to these accounting changes, the net worth of the County Council's Balance Sheet in March 2009 was £777.3m.

BALANCE SHEET AS AT 31ST MARCH 2010

As restated
31 March 2009
(Note 1)
£000

| | | £000 | £000 |
|------------------|--|------------------|------------------|
| | Fixed Assets (note 15) | | |
| 1,269,331 | Land and Buildings | 1,256,546 | |
| 19,863 | Vehicles, Plant and Equipment | 25,361 | |
| 361,250 | Infrastructure Assets | 383,383 | |
| 6,964 | Intangible Fixed Assets | 6,290 | |
| <u>20,864</u> | Non-operational Assets | <u>44,103</u> | |
| 1,678,272 | | | 1,715,683 |
| 3,518 | Long Term Investments (note 17) | | 3,518 |
| <u>11,204</u> | Long Term Debtors (note 18) | | <u>10,211</u> |
| 1,692,994 | | | 1,729,412 |
| | Current Assets | | |
| 1,415 | Stocks (note 20) | 1,115 | |
| 46,003 | Debtors (note 21) | 49,090 | |
| 119,785 | Short Term Investments (notes 37a & 37d) | 104,578 | |
| 0 | Landfill Allowances (note 19) | 0 | |
| 153 | Cash With Officers | 153 | |
| <u>28,921</u> | Cash at Bank | <u>40,001</u> | |
| 196,277 | | | 194,937 |
| | Current Liabilities | | |
| (24,646) | Borrowing repayable within 12 months (note 37d) | (39,940) | |
| (138,771) | Creditors (note 22) | (145,301) | |
| <u>(67)</u> | PFI Liability (note 8) | <u>(178)</u> | |
| (163,484) | | | (185,419) |
| 1,725,787 | Total Assets less Current Liabilities | | 1,738,930 |
| | Long Term Liabilities | | |
| (5,504) | PFI Liability (note 8) | (5,326) | |
| (319,871) | Borrowing repayable in excess of 12 months (notes 37d) | (310,125) | |
| (208,706) | Capital Grants Deferred Account (note 16) | (257,030) | |
| (5,216) | Provisions (note 23) | (6,340) | |
| <u>(410,604)</u> | Pension Liability (note 5) | <u>(492,421)</u> | |
| (949,901) | | | (1,071,242) |
| 775,886 | Total Assets less Liabilities | | 667,688 |
| 163,524 | Revaluation Reserve (note 26) | 176,282 | |
| 948,969 | Capital Adjustment Account (note 28) | 908,698 | |
| (363) | Council Tax Adjustment Account (note 27) | 304 | |
| 0 | Financial Instruments Adjustment Account (note 29) | 0 | |
| (410,604) | Pension Reserve (note 5) | (492,421) | |
| 52,672 | Earmarked Reserves (note 25) | 57,256 | |
| <u>21,688</u> | General Working Balance (note 25) | <u>17,569</u> | |
| 775,886 | Total Equity | | 667,688 |

I confirm that these Accounts were approved by the Audit Committee on 29th June 2010 and that they remain substantially unchanged following this year's audit

Date.....

CASH FLOW STATEMENT – YEAR ENDED 31ST MARCH 2010

| As restated 2008/09 £000 | | £000 | £000 | £000 |
|--------------------------------|---|------------------|----------------|-----------------|
| | Cash Outflow | | | |
| (482,833) | Cash paid to or on behalf of employees | (483,127) | | |
| <u>(359,840)</u> | Other Operating Cash Payments | <u>(398,605)</u> | | |
| (842,673) | | | (881,732) | |
| | Cash Inflows | | | |
| 228,010 | Precept - Council Tax Receipts | 237,584 | | |
| 83,093 | National Non-Domestic Rates Receipts | 80,697 | | |
| 11,567 | Revenue Support Grant | 18,626 | | |
| 1,062 | Other Government Funding | 2,020 | | |
| 27,637 | Area Based Grants | 30,723 | | |
| 431,537 | Government Revenue Grants (note 34e) | 450,095 | | |
| <u>105,759</u> | Other Operating Cash Received | <u>108,641</u> | | |
| 888,665 | | | <u>928,386</u> | |
| 45,992 | Net Cash Inflow from Revenue Activities (note 34a) | | | 46,654 |
| | SERVICING OF FINANCE | | | |
| | Cash Outflow | | | |
| (17,875) | Interest Paid | (16,154) | | |
| | Cash Inflow | | | |
| 6,961 | Interest | 2,704 | | |
| <u>915</u> | Dividends | <u>1,390</u> | | |
| (9,999) | Net Cash Outflow from servicing of finance | | | (12,060) |
| | CAPITAL ACTIVITIES | | | |
| | Cash Outflow | | | |
| (109,363) | Purchase of Fixed Assets | (111,128) | | |
| (157) | Repayment of finance lease Liability | (67) | | |
| <u>(5,237)</u> | Long Term loans to subsidiary undertakings | <u>0</u> | | |
| (114,757) | | | (111,195) | |
| | Cash Inflow | | | |
| 5,304 | Sale of Fixed Assets | 4,622 | | |
| 49,139 | Capital Grants (note 34e) | 62,350 | | |
| <u>5,802</u> | Other Capital Contributions | <u>993</u> | | |
| 60,245 | | | <u>67,965</u> | |
| (54,512) | Net Cash Outflow from Capital Activities | | | (43,230) |
| (18,519) | Net Cash Outflow before financing | | | (8,636) |
| | MANAGEMENT OF LIQUID RESOURCES | | | |
| 8,829 | Movement in Short Term Investments | | 13,900 | |
| <u>6,086</u> | Movement in Long Term Investments | | <u>0</u> | |
| 14,915 | | | | 13,900 |
| | FINANCING ACTIVITIES | | | |
| | Cash Outflow | | | |
| (33,531) | Repayment of Long Term Loans | | (75,761) | |
| 0 | New Short Term Loans | | 0 | |
| | Cash Inflow | | | |
| 35,000 | New Long Term Loans Raised | | 70,000 | |
| 2,397 | New Short Term Loans Raised | | 11,577 | |
| <u>3,866</u> | Net Cash Inflow from financing activities | | <u>5,816</u> | |
| <u>262</u> | Net Cash Inflow for the year | | | <u>11,080</u> |

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Prior Period Adjustments

Following the changes in accounting policies applicable for 2009/10 in the treatment of PFI arrangements and the accounting for the Council Tax Collection Fund it is necessary to restate the opening balances on the financial statements.

The following extracts from the 2008/09 financial statements show the effect of the opening restatement arising from these changes to accounting policies.

The adjustments highlight the individual lines that have changed within the 2008/09 accounts, together with relevant totals; the extracts below do not therefore necessarily total in themselves.

(a) Extracts from Income and Expenditure Account

| Net Expenditure 2008/09 £000 | | PFI Adjustment £000 | Council Tax Collection Fund £000 | 2008/09 Restated £000 |
|---------------------------------------|---|---------------------------|---|-----------------------------|
| 124,741 | Children's and Education Services | 180 | | 124,921 |
| 371,450 | Net Cost of Services | 180 | | 371,630 |
| 17,357 | Interest payable and similar charges | 518 | | 17,875 |
| (358) | Other Government Funding | (704) | | (1,062) |
| (228,010) | Precept on District Councils for Council Tax | | 1,377 | (226,633) |
| <u>63,885</u> | Deficit for the year | <u>(6)</u> | <u>1,377</u> | <u>65,256</u> |

(b) Extracts from the Statement of Movement on the General Fund Balance

| 2008/09 Presented £000 | | PFI Adjustment £000 | Council Tax Collection Fund £000 | 2008/09 Restated £000 |
|------------------------------|--|---------------------------|---|-----------------------------|
| 63,885 | Deficit for the year on the Income and Expenditure Account | (6) | 1,377 | 65,256 |
| | Net additional amounts to be adjusted under statute or proper practice | | | |
| (59,086) | Depreciation and impairment of fixed assets | (151) | | (59,237) |
| 13,292 | Minimum revenue provision for capital financing | 157 | | 13,449 |
| 0 | Adjustment for Net Council Tax Surplus or Deficits | | (1,377) | (1,377) |
| <u>(21,688)</u> | General Fund Balance carried forward | <u>0</u> | <u>0</u> | <u>(21,688)</u> |

(c) Extracts from the Balance Sheet

| 2008/09 Presented £000 | | PFI Adjustment £000 | Council Tax Collection Fund £000 | 2008/09 Restated £000 |
|------------------------------|--------------------------------------|---------------------------|---|-----------------------------|
| 1,264,789 | Fixed Assets - Land and Buildings | 4,542 | | 1,269,331 |
| 41,739 | Current Assets - Debtors | | 4,264 | 46,003 |
| | Current Liabilities | | | |
| 0 | PFI Liability | (67) | | (67) |
| (134,144) | Creditors | | (4,627) | (138,771) |
| | Long Term Liabilities | | | |
| 0 | PFI Liability | (5,504) | | (5,504) |
| <u>777,278</u> | Total Assets less Liabilities | <u>(1,029)</u> | <u>(363)</u> | <u>775,886</u> |
| 949,998 | Capital Adjustment Account | (1,029) | | 948,969 |
| 0 | Council Tax Adjustment Account | | (363) | (363) |
| <u>777,278</u> | Total Equity | <u>(1,029)</u> | <u>(363)</u> | <u>775,886</u> |

(d) Extract from the Cash Flow Statement

| 2008/09 Presented £000 | | PFI Adjustment £000 | Council Tax Collection Fund £000 | 2008/09 Restated £000 |
|------------------------------|---|---------------------------|---|-----------------------------|
| (359,811) | Other Operating Cash Payments | (29) | | (359,840) |
| 358 | LABGI/Other Govnt Grant | 704 | | 1,062 |
| 45,317 | Net Cash Inflow from Revenue Activities | 675 | | 45,992 |
| (17,357) | Cash Outflow - Interest Paid | (518) | | (17,875) |
| 0 | Financing Activities - Repayment of the capital element of finance leases | (157) | | (157) |
| <u>262</u> | Net Cash Inflow for the year | <u>0</u> | <u>0</u> | <u>262</u> |

2. Trading Operations

The County Council operates a number of trading units that are required to operate in a commercial environment and balance their budget by generating income from other parts of the authority, or other organisations. Details of those units with a turnover of greater than £2m are as follows:-

| Name and Nature | Trading Objective | Turnover £000 | Expenditure £000 | Surplus / (Deficit) £000 |
|---|--------------------------|--------------------------|-----------------------------|---|
| Catering - Provision of School & Welfare Catering Services | Breakeven | 15,591 | 14,705 | 886 |
| Building Cleaning Services - Provision of Building Cleaning Services to schools and other NYCC establishments | Breakeven | 8,789 | 8,209 | 580 |
| Schools IT Services - ICT Services to schools | Breakeven | 4,619 | 4,451 | 168 |
| Education Supply Teachers Insurance Scheme - In house insurance scheme for schools to cover the cost of teaching supply | Breakeven | 4,436 | 4,436 | 0 |
| Education Repairs and Maintenance Reserve - Provision of a premises planned General Care and maintenance | Breakeven | 4,916 | 4,716 | 200 |
| Consolidated results of all other Trading Units | Various | 9,083 | 8,863 | 220 |
| Total Results for Trading Units | | 47,434 | 45,380 | 2,054 |

Although the annual trading objective for several of the trading operations is to achieve a breakeven position, a surplus is shown for 2009/10. This gives rise to accumulated surpluses being carried forward to future years and being managed within a medium term breakeven strategy.

The expenditure figures reported above reflect an adjustment to comply with pension accounting standard FRS 17. This has the effect of reducing costs reported in the County Council's management accounts, and consequently increases the above reported surplus or decreases the deficit of the trading operation. Other adjustments have also been made in respect of a charge for the use of assets where appropriate.

3. Leases

The County Council utilised assets held under operating leases for Land and Buildings and Vehicles, Plant and Equipment. Payments made during the year amount to £1,480k (£1,370k in 2008/09) in respect of Land and Building leases and £840k for Vehicles, Plant and Equipment (£720k in 2008/09).

The County Council had commitments at the 31st March 2010 to make payments under operating leases in future financial years, comprising the following elements:-

| | Land & Buildings £000 | Vehicles & Equipment £000 | Total £000 |
|--------------------------------------|--------------------------|------------------------------|---------------|
| Leases expiring within 12 months | 87 | 220 | 307 |
| Leases expiring between 2 - 5 years | 1,759 | 1,117 | 2,876 |
| Leases expiring in excess of 5 years | <u>13,902</u> | <u>0</u> | <u>13,902</u> |
| | <u>15,748</u> | <u>1,337</u> | <u>17,085</u> |

The capital value of these operating leases is not shown on the Balance Sheet.

The County Council acted as lessor and sub-lessor for numerous properties, these primarily comprise highway maintenance depots operated under a service agreement with Balfour Beatty Infrastructure and county farms.

Rental receipts for Land and Buildings received during the year amount to £910k (£870k in 2008/09).

4. Precept Income and General Government Funding

Precept Income and General Government Funding totalled £369.7m (£350.0m in 2008/09) consisting of:-

| | 2009/10 £000 | | 2008/09 £000 | |
|---|-----------------|----------------|-----------------|----------------|
| Demand on District Council Collection Funds for Council Tax:- | | | | |
| - Precept Income for year | 237,046 | | 226,708 | |
| - Precept (deficit) / surplus from previous years | (129) | | 1,302 | |
| - Council Tax Adjustment | <u>667</u> | <u>237,584</u> | <u>(1,377)</u> | <u>226,633</u> |
| Non-domestic rates distribution | | 80,697 | | 83,093 |
| Area Based Grant | | 30,723 | | 27,637 |
| Government Revenue Support Grant | | 18,626 | | 11,567 |
| Other Government Funding:- | | | | |
| - Local Authority Business Growth Incentive (LABGI) | 287 | | 358 | |
| - Private Finance Initiative | 704 | | 704 | |
| - Local Area Agreement Performance Reward Grant (LAA-PRG) | <u>1,029</u> | <u>2,020</u> | <u>0</u> | <u>1,062</u> |
| | | <u>369,650</u> | | <u>349,992</u> |

The precept income from Council Tax is equivalent to a basic amount of £1,027.30 for an average band D property.

5. Pension Arrangements

As part of the terms and conditions of employment, the County Council offers retirement benefits to its employees. Although these benefits will not actually be payable until employees retire, the County Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The County Council participates in two different pension schemes:-

- Local Government Pension Scheme, for employees other than teachers, administered by North Yorkshire County Council. This is a funded scheme, meaning that the County Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets
- Teachers Pensions Scheme, sponsored by the Department for Education (DfE). This is an unfunded scheme, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due. Any discretionary enhancements to benefits awarded by the County Council remain the liability of the County Council and are paid monthly in addition to the pension paid by the DfE.

The County Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the County Council is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance.

The following transactions have been made in the Income and Expenditure Account for 2009/10:-

| | Local Government Pension Scheme | | Teachers Pension Scheme | |
|---|---------------------------------|---------------|-------------------------|------------|
| | 2009/10 | 2008/09 | 2009/10 | 2008/09 |
| | £000 | £000 | £000 | £000 |
| Income and Expenditure Account | | | | |
| Net cost of Services: | | | | |
| Current Service Cost | 20,642 | 29,983 | 0 | 0 |
| Past Service Cost | 454 | 525 | 0 | 0 |
| Net Operating Expenditure: | | | | |
| Interest Cost | 52,071 * | 51,849 | 715 * | 727 |
| Expected return on assets | (21,639) * | (33,537) | 0 * | 0 |
| Net Charge to the Income and Expenditure Account | 51,528 | 48,820 | 715 | 727 |
| Statement of Movement in the General Fund Balance: | | | | |
| Reversal of net charges made for retirement benefits in accordance with FRS17 | (51,528) | (48,820) | (715) | (727) |
| Actual amount charged against the General Fund balance for pensions in the | | | | |
| Employers' contributions payable to scheme | <u>34,555</u> | <u>32,647</u> | | |
| Retirement benefits payable to pensioners | | | <u>921</u> | <u>892</u> |

The total net charge to the Income and Expenditure Account, under the heading "Pensions interest cost and expected return on pensions assets" is £31,147k (£19,039k in 2008/09) and consists of the * items in the table above.

Therefore, although the overall amounts to be met from Government Grants and Local Taxation remains unchanged, the costs disclosed for services are £14,380k lower as a result of:-

- (i) the County Council's contributions of £34,555k to the Local Government Pension Scheme being replaced with a current service cost of £20,642k. This £13,913k adjustment equates to a 40.3% decrease in employers pension costs
- (ii) in addition, under FRS 17, the unfunded liability arising from enhanced teachers pensions requires that the cost of benefits paid in the year (£921k) is removed from the net cost of services as it relates to periods of service prior to 2009/10
- (iii) a past service cost of £454k relating to liabilities arising under the FRS 17 valuation which relate to decisions taken on pensions in previous financial years.

Assets and Liabilities in Relation to Retirement Benefits

The Assets and Liabilities for retirement benefits attributable to the Council are as follows:-

| | Local Government Pension Scheme | | Teachers Pension Scheme | | Total | |
|--|---------------------------------|-----------------|-------------------------|-----------------|-----------------|-----------------|
| | 31st March 2010 | 31st March 2009 | 31st March 2010 | 31st March 2009 | 31st March 2010 | 31st March 2009 |
| | £m | £m | £m | £m | £m | £m |
| Estimated share of liabilities in scheme | (1,022.0) | (730.5) | (12.2) | (10.5) | (1,034.2) | (741.0) |
| Estimated share of assets in scheme | 541.8 | 330.4 | 0.0 | 0.0 | 541.8 | 330.4 |
| County Council's net pensions liability | <u>(480.2)</u> | <u>(400.1)</u> | <u>(12.2)</u> | <u>(10.5)</u> | <u>(492.4)</u> | <u>(410.6)</u> |

The liabilities show the underlying commitments that the County Council has in the long-run to pay for retirement benefits. The total liability of £492.4m has a sustained impact on the net worth of the authority as recorded in the Balance Sheet, resulting in an overall balance of £667.7m. However, statutory arrangements for funding the deficit mean that the financial position in relation to pensions remains healthy because:-

- the deficit on the local government scheme will be made good by setting appropriate contribution rates over the remaining working life of employees, as assessed by the scheme actuary
- finance is only required to be raised to cover the teachers' pension enhancements when the pensions are actually due to be paid.

Following the June 2010 Emergency Budget announcement, HM Treasury has confirmed that from April 2011 the increase in pensions will be linked to the Consumer Price Index (CPI)

rather than the Retail Price Index (RPI). It is not possible to provide an accurate recalculation of the Present Value of Benefit Obligations at this time.

Basis for estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The liabilities have been assessed by Mercer's, an independent firm of actuaries and the main assumptions used in their calculations have been:-

| | 31st March 2010 | 31st March 2009 |
|--|-----------------|-----------------|
| | % | % |
| Rate of inflation | 3.3 | 3.3 |
| Rate of increase in salaries | 5.1 | 5.1 |
| Rate of increase in pensions | 3.3 | 3.3 |
| Rate for discounting scheme liabilities | 5.6 | 7.1 |
| Proportion of employees opting to take a commuted lump sum (not Teachers Scheme) | 50.0 | 50.0 |
| Post Retirement Mortality Assumptions | Years | Years |
| - Male future pensioner aged 65 in 20 years' time | 22.2 | 22.2 |
| - Female future pensioner aged 65 in 20 years' time | 25.0 | 25.0 |
| - Male current Pensioner aged 65 | 21.2 | 21.2 |
| - Female current Pensioner aged 65 | 24.1 | 24.0 |

Changes in the Local Government Pension Scheme permit employees retiring to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries we have assumed that 50% of employees retiring will take advantage of this change to the pension scheme. When first introduced, there was a significant "one-off" reduction in the County Council's liabilities which was reflected as a change in accounting policies as it affected all accrued liabilities. In subsequent years the impact of commutation is considerably smaller as it only relates to liabilities arising in the year and is included under Past Service Costs/Gains.

Assets in the North Yorkshire Pension Fund are valued at fair value, principally market value for investments. The County Council's share of the assets totals £541.8m at 31st March 2010 (£330.4m at 31st March 2009). The assets consist of the following categories, by proportion of the total assets held by the Fund. There are no assets in place to cover the teachers enhanced pension liability.

| | long term rate of expected return | 31st March 2010 | 31st March 2009 |
|--|--------------------------------------|-----------------|-----------------|
| | % | % | % |
| Equity investments | 7.50 | 76.2 | 74.8 |
| Government Bonds | 4.50 | 7.8 | 8.5 |
| Corporate Bonds / Other Bonds | 5.20 | 13.9 | 11.2 |
| Cash / Liquidity Assets | 0.50 | 2.1 | 4.4 |
| Other (Global Tactical Asset Allocation) | n/a | 0.0 | 1.1 |
| | | <u>100.0</u> | <u>100.0</u> |

Actuarial Gains and Losses

The actuarial gains / (losses) identified as movements on the Pensions Reserve in 2009/10 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31st March 2010:-

| | 2009/10 | | 2008/09 | | 2007/08 | | 2006/07 | | 2005/06 | |
|---|---------------|------|---------------|------|---------------|------|-------------|-------|------------|------|
| | £m | % | £m | % | £m | % | £m | % | £m | % |
| Differences between the expected and actual return on assets | 170.0 | 31.4 | (210.5) | 63.7 | (65.5) | 13.4 | 2.5 | 0.5 | 70.4 | 15.1 |
| Differences between actuarial assumptions about liabilities and actual experience | (235.1) | 22.7 | 181.0 | 24.4 | 15.9 | 1.9 | 0.0 | 0.0 | (12.6) | 1.7 |
| Changes in the demographic and financial assumptions used to estimate liabilities | 0.0 | 0.0 | 0.0 | 0.0 | (44.8) | 5.2 | 36.9 | (4.8) | (56.6) | 7.5 |
| | <u>(65.1)</u> | | <u>(29.5)</u> | | <u>(94.4)</u> | | <u>39.4</u> | | <u>1.2</u> | |

Teachers employed by the County Council are members of the Teachers' Pension Scheme, administered by Capita Hartshead. It provides teachers with defined benefits upon their retirement, and the County Council contributes towards the costs by making contributions based upon a percentage of members' pensionable salaries. The policy of offering enhancements to the retirement benefits of teachers ceased in 1996/97, however, the cost of enhancements awarded prior to that date will continue to be met until those pensions cease to be paid.

In 2009/10 the County Council paid £25.8m to the Teachers' Pension Agency as a contribution towards teachers' pension costs, which represents an average 14.1% of teachers' pensionable pay. The figures for 2008/09 were £25.3m and 14.1%.

The scheme is a defined benefit scheme. Although the scheme is unfunded, Teachers' Pensions use a notional fund as the basis for calculating the employers' contribution rate paid by local education authorities. However, it is not possible for the County Council to identify a share of the underlying liabilities in the scheme attributable to its own employees.

The County Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These benefits are fully accrued in the pensions liability as described above.

6. Audit Fees

In 2009/10 the County Council incurred the following fees relating to external audit and inspection:-

| | 2009/10 £000 | 2008/09 £000 |
|--|-----------------|-----------------|
| Fees payable to the External Auditor with regard to :- | | |
| - external audit services carried out by appointed auditor | 224 | 218 |
| - statutory inspection | 17 | 15 |
| - certification of grant claims and returns | 20 | 45 |
| - other services | 2 | 2 |
| | <u>263</u> | <u>280</u> |

7. Member's Allowances

The total amount of members' allowances, (including travel), paid during the year was £1,070k, (£1,036k in 2008/09).

8. Private Finance Initiative (Service Concessions)

In April 2002 the County Council commenced payments on a Private Finance Initiative (PFI) scheme which provides for four replacement primary schools at Ripon Cathedral CE, Brotherton CP and Barlby CP (both near Selby) and Kirby Hill CE (near Boroughbridge). The contract is for 25 years.

Two of the schools, Ripon Cathedral CE and Kirby Hill CE, are voluntary controlled schools. On expiry of the private finance initiative in 2027 these two school buildings will transfer to the respective trustees of each of the schools. However, to reflect the substance of the transaction and to give consistency in approach to the PFI scheme the building values for these two schools are retained on the County Council balance sheet along with the other two schools whose ownership will transfer to the County Council at the end of the PFI term.

The associated liability for all of the schools is shown as a finance lease within the accounts.

Value of PFI Assets

| | 2009/10 £000 | 2008/09 £000 |
|-----------------|-----------------|-----------------|
| Opening Balance | 4,542 | 4,693 |
| Depreciation | (142) | (151) |
| Additions | 111 | 0 |
| Revaluations | (163) | 0 |
| Closing Balance | <u>4,348</u> | <u>4,542</u> |

Forming part of the above balance are the two voluntary controlled schools which have a carrying net book value of £1,398k, (£1,412k 2009). This represents the fair value of the County Council's interest in the remaining term of the contract, on the expiry of the PFI arrangement in 2027 the buildings for the two voluntary controlled schools revert to the trustees of those schools.

Value of PFI liabilities

| | 2009/10 £000 | 2008/09 £000 |
|-----------------|-----------------|-----------------|
| Opening Balance | 5,571 | 5,728 |
| Repayments | (67) | (157) |
| Additions | <u>0</u> | <u>0</u> |
| Closing Balance | <u>5,504</u> | <u>5,571</u> |

Payments due to be made under PFI Contracts

| | Repayment of leasing £000 | Payment of interest * £000 | Lifecycle Costs * £000 | Provision of services £000 | Total £000 |
|----------------------|---------------------------------|----------------------------------|------------------------------|----------------------------------|---------------|
| within 1 year | <u>178</u> | <u>497</u> | <u>0</u> | <u>469</u> | <u>1,144</u> |
| more than 1 year | | | | | |
| within 2 - 5 years | 623 | 1,814 | 279 | 1,858 | 4,574 |
| within 6 - 10 years | 1,373 | 1,898 | 111 | 2,337 | 5,719 |
| within 11 -15 years | 2,239 | 1,135 | 0 | 2,344 | 5,718 |
| within 16 - 20 years | <u>1,091</u> | <u>155</u> | <u>111</u> | <u>931</u> | <u>2,288</u> |
| | <u>5,326</u> | <u>5,002</u> | <u>501</u> | <u>7,470</u> | <u>18,299</u> |
| Total | <u>5,504</u> | <u>5,499</u> | <u>501</u> | <u>7,939</u> | <u>19,443</u> |
| Prior Year 2008/09 | | | | | |
| within 1 year | 67 | 503 | 112 | 463 | 1,145 |
| more than 1 year | <u>5,504</u> | <u>5,499</u> | <u>501</u> | <u>7,939</u> | <u>19,443</u> |
| | <u>5,571</u> | <u>6,002</u> | <u>613</u> | <u>8,402</u> | <u>20,588</u> |

* these columns relate to the price payable for the use of the school buildings together with financing charges.

Provision of services is payment for the day to day operation of the schools.

Values given are based upon current prices with no assumed inflation in future years.

A Government grant of £704k towards the overall costs of the PFI has also been credited to the Income and Expenditure Account under other government funding.

9. Precepts of Local Precepting Authorities

During the year precepts were levied on the County Council by other bodies as follows:-

| | 2009/10 £000 | 2008/09 £000 |
|---------------------------------------|-----------------|-----------------|
| Environment Agency for Flood Defence | 187 | 134 |
| North Eastern Sea Fisheries Committee | 194 | 169 |
| | <u>381</u> | <u>303</u> |

10. Related Party Transactions

The Accounting Code of Practice requires the disclosure of all material transactions undertaken by the County Council with a related party during the year. FRS 8 - Related Parties was introduced to ensure that financial statements highlight any material transactions between an organisation and its related parties. These are bodies or individuals that have the potential to control or influence the County Council or to be controlled or influenced by the County Council. It should be noted that information on other related parties such as Central Government, the Pension Fund and other precepting bodies is disclosed elsewhere in the Accounts.

Members of the Council have direct control over the County Council's financial and operating policies. No material related party transactions occurred with Members in 2009/10.

Officers have day to day control of the running of the County Council's affairs. No material related party transactions occurred with Officers in 2009/10. However, it should be noted that the Corporate Director - Finance and Central Services is a Treasurer to the following local bodies:-

- Yorkshire Dales National Park Authority
- North York Moors National Park Authority
- North Yorkshire Pension Fund.

Companies and Joint Ventures

The County Council has a substantial interest in the following companies:-

- Yorwaste Limited - owning 78% of the issued share capital
- NYnet Limited - owning 100% of the share capital
- Veritau Limited - owning 50% of the share capital.

The transactions between the County Council and these two companies are included in the Group Accounts financial statements on pages 77 to 86.

There is also a group relationship with North Yorkshire Business and Education Partnership (NYBEP) and Yorkshire Purchasing Organisation but, due to their nature, no consolidation adjustments have been undertaken within the Group Account statements.

Yorwaste Limited:

The total value of services, including landfill tax provided by Yorwaste Limited in 2009/10 was £9.4m and at 31st March 2010, the trading creditor balance was £1.2m.

The County Council provided services to Yorwaste Limited totalling £0.4m of which £0.25m was outstanding as at 31st March 2010.

At 31st March 2010, the County Council provided a loan to Yorwaste Limited of £3.7m of which interest was received by the County Council of £56k in 2009/10. The loan balance has remained the same since 31st March 2009.

Yorwaste Limited paid the County Council a dividend of £1.1m in 2009/10.

NYnet Limited:

The total value of services provided by NYnet Limited in 2009/10 to the County Council was £4.3m and at 31st March 2010, the trading creditor balance was £ nil.

The County Council provided services to NYnet Limited totalling £0.1m.

At 31st March 2010, the County Council provided a loan-facility to NYnet Limited of £4.8m of which interest was received by the County Council of £109k in 2009/10. The loan balance has decreased by £1.0m during 2009/10.

Veritau Limited:

The total value of services provided by Veritau Limited in 2009/10 to the County Council was £0.7m and at 31st March 2010, the trading creditor balance was £27k.

The County Council provided services to Veritau Limited totalling £13k.

North Yorkshire Business Enterprise Partnership:

The County Council made payments to NYBEP in 2009/10 totalling £0.6m and received £0.3m in income.

Yorkshire Purchasing Organisation:

The County Council made estimated payments to YPO in 2009/10 totalling £9.5m.

The County Council also received a dividend payment in relation to 2009 of £0.6m.

As well as the details disclosed above, the following material transactions, (over £1m), with other related parties arose, which are not disclosed elsewhere in the Statement of Accounts:-

- Revenue and Capital contributions received towards jointly funded schemes; North Yorkshire and York Primary Care Trust totalling £11.5m and payments totalling £1.1m.

11. Pooled Funds

Under Section 31 of the Health Act 1999, the County Council has undertaken joint working arrangements with appropriate NHS bodies. Pooled funds enable the County Council to address specific local health issues.

The formation of a Pooled Fund does not create a separate legal entity. The County Council is involved in two distinct areas of pooled funds - the Intermediate Care (Whole Systems) Pooled Fund and Equipment Pooled Fund. Where the County Council acts as the 'host', the County Council has responsibility for the financial administration of the pool. All contributions by the County Council toward pooled funds have been included within the Net Cost of Services in the Income and Expenditure Account.

Intermediate Care (Whole Systems) Pooled Fund

The Whole Systems Pooled Fund was established in 2000/01 and acts as a single body when commissioning services. It aims to provide intermediate care for older people and provides a means to discharge clients from hospital, provide rehabilitation and prevent hospital admissions.

The County Council is the host Authority for Selby and Scarborough / Whitby / Ryedale. The Primary Care Trust (PCT) is the host organisation for Hambleton / Richmondshire.

| 2008/09 £000 | | NYCC as host £000 | PCTs as host £000 | Total 2009/10 £000 |
|-----------------|-------------------------------------|-------------------------|-------------------------|--------------------------|
| | Expenditure | | | |
| 806 | Gross Expenditure | 248 | 636 | 884 |
| (253) | (Under)/Overspend 2007/08 | (342) | 127 | (215) |
| <u>215</u> | Over/(Under)spend 2008/09 | <u>325</u> | <u>(1)</u> | <u>324</u> |
| <u>768</u> | Total Pooled Fund | <u>231</u> | <u>762</u> | <u>993</u> |
| | Contributions to Pooled Fund | | | |
| 453 | North Yorkshire & York PCT | 104 | 525 | 629 |
| <u>315</u> | NYCC | <u>127</u> | <u>237</u> | <u>364</u> |
| <u>768</u> | Total Contributions | <u>231</u> | <u>762</u> | <u>993</u> |

Equipment Pool

The Equipment pool was established in 2004 and provides for all purchases of community equipment for all age groups. The arrangement to pool budgets with the PCT has only been agreed for 3 of the 4 localities. Currently there is no pooled arrangement in the Selby locality.

| 2008/09 £000 | | Scarborough | | | 2009/10 Total £000 |
|-----------------|-------------------------------------|------------------------------------|---------------------------|-----------------------------|--------------------------|
| | | Hambleton Richmondshire £000 | Whitby Ryedale £000 | Harrogate Craven £000 | |
| 670 | Gross Expenditure | 199 | 203 | 232 | 634 |
| (190) | (Over)/Underspend 2007/08 | (44) | (3) | (44) | (91) |
| <u>91</u> | (Over)/Underspend 2008/09 | <u>(22)</u> | <u>0</u> | <u>51</u> | <u>29</u> |
| <u>571</u> | Total Pooled Fund | <u>133</u> | <u>200</u> | <u>239</u> | <u>572</u> |
| | Contributions to Pooled Fund | | | | |
| 227 | North Yorkshire & York PCT | 38 | 93 | 96 | 227 |
| <u>344</u> | NYCC | <u>95</u> | <u>107</u> | <u>143</u> | <u>345</u> |
| <u>571</u> | Total Contributions | <u>133</u> | <u>200</u> | <u>239</u> | <u>572</u> |

12. Disclosure of Remuneration

The Accounts and Audit (Amendment No. 2) (England) Regulations 2009 require the County Council to disclose the number of staff receiving payments, including taxable benefits, of more than £50k in the relevant financial year.

The number of employees who receive remuneration of over £50k are as follows. These figures include the senior employees as identified at the end of this note:-

| Band | 2009/10 | | | 2008/09 | | |
|---------------------|------------|------------|------------|------------|-----------|------------|
| | Teachers | Other | Total | Teachers | Other | Total |
| £50,000 - £54,999 | 165 | 51 | 216 | 145 | 48 | 193 |
| £55,000 - £59,999 | 68 | 23 | 91 | 40 | 18 | 58 |
| £60,000 - £64,999 | 29 | 6 | 35 | 35 | 5 | 40 |
| £65,000 - £69,999 | 22 | 4 | 26 | 12 | 8 | 20 |
| £70,000 - £74,999 | 9 | 13 | 22 | 11 | 7 | 18 |
| £75,000 - £79,999 | 3 | 3 | 6 | 6 | 3 | 9 |
| £80,000 - £84,999 | 10 | 1 | 11 | 5 | 2 | 7 |
| £85,000 - £89,999 | 4 | 0 | 4 | 4 | 0 | 4 |
| £90,000 - £94,999 | 4 | 2 | 6 | 3 | 2 | 5 |
| £95,000 - £99,999 | 3 | 1 | 4 | 5 | 0 | 5 |
| £100,000 - £104,999 | 1 | 0 | 1 | 0 | 0 | 0 |
| £105,000 - £109,999 | 0 | 0 | 0 | 0 | 1 | 1 |
| £110,000 - £114,999 | 0 | 1 | 1 | 0 | 0 | 0 |
| £115,000 - £119,999 | 1 | 2 | 3 | 0 | 1 | 1 |
| £120,000 - £124,999 | 0 | 0 | 0 | 0 | 0 | 0 |
| £125,000 - £129,999 | 0 | 1 | 1 | 0 | 1 | 1 |
| £130,000 - £134,999 | 0 | 0 | 0 | 0 | 0 | 0 |
| £135,000 - £139,999 | 0 | 0 | 0 | 0 | 1 | 1 |
| £140,000 - £144,999 | 0 | 0 | 0 | 0 | 0 | 0 |
| £145,000 - £149,999 | 0 | 0 | 0 | 0 | 0 | 0 |
| £150,000 - £154,999 | 0 | 0 | 0 | 0 | 0 | 0 |
| £155,000 - £159,999 | 0 | 0 | 0 | 0 | 0 | 0 |
| £160,000 - £164,999 | 0 | 0 | 0 | 0 | 0 | 0 |
| £165,000 - £169,999 | 0 | 0 | 0 | 0 | 0 | 0 |
| £170,000 - £174,999 | 0 | 0 | 0 | 0 | 0 | 0 |
| £175,000 - £179,999 | 0 | 0 | 0 | 0 | 1 | 1 |
| £180,000 - £184,999 | 0 | 1 | 1 | 0 | 0 | 0 |
| | <u>319</u> | <u>109</u> | <u>428</u> | <u>266</u> | <u>98</u> | <u>364</u> |

The Accounts and Audit Regulations also require the County Council to disclose the individual remuneration details of senior employees, under the following categories:-

- (i) salary, fees and allowances;
- (ii) bonuses;
- (iii) expenses allowance;
- (iv) compensation for loss of employment;
- (v) employer's pension contribution;
- (vi) any other emoluments.

The regulations also require that persons whose salary is in excess of £150k per annum must be identified by name and that senior employees whose salary is £50k or more per year but less than £150k, must be listed individually by way of job title. Senior employees are typically an authority's Chief Executive (or equivalent), their direct reports (other than administration staff), statutory chief officers and potentially any employee that the authority considers having responsibility for the management of the relevant body, to the extent that the person has

power to direct or control the major activities of the body, in particular activities involving the expenditure of money, whether solely or collectively with other persons.

Unless otherwise stated, none of the senior officers received fees, bonuses or compensation for loss of employment or 'any other emoluments' in 2009/10 or 2008/09.

| | 2009/10 | 2008/09 |
|---|---------|---------|
| | £ | £ |
| John Marsden, Chief Executive | | |
| Salary, Fees & Allowances | 183,935 | 179,125 |
| Expense Allowances (car allowances chargeable to income tax) | 205 | 78 |
| Pension contributions paid by North Yorkshire County Council | 34,392 | 34,392 |
| Assistant Chief Executive (Policy, Performance & Partnerships) | | |
| NB – post was vacant between 01/04/08 and 30/06/08 | | |
| Salary, Fees & Allowances | 90,842 | 65,255 |
| Expense Allowances (car allowances chargeable to income tax) | 131 | 28 |
| Pension contributions paid by North Yorkshire County Council | 17,428 | 12,529 |
| Assistant Chief Executive (Human Resources & Organisational Development) | | |
| Salary, Fees & Allowances | 98,267 | 94,479 |
| Expense Allowances (car allowances chargeable to income tax) | 208 | 300 |
| Pension contributions paid by North Yorkshire County Council | 18,865 | 18,021 |
| Assistant Chief Executive (Legal & Democratic Services) | | |
| Salary, Fees & Allowances | 94,479 | 90,794 |
| Expense Allowances (car allowances chargeable to income tax) | 0 | 12 |
| Pension contributions paid by North Yorkshire County Council | 18,140 | 17,432 |
| Corporate Director of Business & Environmental Services | | |
| Salary, Fees & Allowances | 111,267 | 107,479 |
| Expense Allowances (car allowance sums chargeable to income tax) | 208 | 153 |
| Pension contributions paid by North Yorkshire County Council | 21,356 | 20,636 |
| Corporate Director of Children & Young People's Services | | |
| Salary, Fees & Allowances | 128,975 | 125,563 |
| Expense Allowances (car allowances chargeable to income tax) | 239 | 361 |
| Pension contributions paid by North Yorkshire County Council | 24,763 | 24,108 |
| Corporate Director of Adult & Community Services | | |
| Salary, Fees & Allowances | 118,739 | 118,739 |
| Expense Allowances (telephone and car allowances chargeable to income tax) | 503 | 437 |
| Pension contributions paid by North Yorkshire County Council | 22,798 | 22,798 |
| Corporate Director of Finance & Central Services | | |
| Salary, Fees & Allowances | 118,739 | 136,032 |
| Expense Allowances (car allowances chargeable to income tax) | 99 | 104 |
| Pension contributions paid by North Yorkshire County Council | 22,798 | 26,118 |

13. Agency Services

The County Council has agency arrangements with the District Councils of Harrogate and Scarborough for maintaining highways within parts of the areas of those Districts on behalf of the County Council. Reimbursements totalling £3,453k, (£3,094k in 2008/09) were due to the Districts for these works, including a contribution towards administrative costs.

14. Disposal of Fixed Assets

The gain on disposal of fixed assets of £197k has been credited to the Income and Expenditure Account. The County Council incurred an exceptional loss of £14.2m in 2008/09, (which was a notional cost and did not impact on Council Tax), as a consequence of George Pindar School achieving Trust school status. No school gained Trust school status in 2009/10.

15. Fixed Assets

The treatment of Fixed Assets in the Accounts is covered in the Statement of Accounting Policies Note 2.

a) Valuation of Tangible Fixed Assets

The following statement shows the progress of the County Council's rolling programme for the revaluation of fixed assets. Valuations were carried out by an external valuer – Bruton Knowles, with the effective date for 2009/10 valuation purposes being 1st April 2009:-

| | Land and Buildings £000 | Vehicles, plant & Equip. £000 | Infrastructure Assets £000 | Non- Operational Assets £000 | Total £000 |
|--------------------------------|-------------------------------|--|----------------------------------|---------------------------------------|------------------|
| Valued at Historic Cost | | 25,361 | 383,383 | | 408,744 |
| Valued at current value in :- | | | | | |
| 2009/10 | 26,657 | 0 | 0 | 34,117 | 60,774 |
| 2008/09 | 68,178 | 0 | 0 | 0 | 68,178 |
| 2007/08 | 1,161,711 | 0 | 0 | 2,778 | 1,164,489 |
| 2006/07 | 0 | 0 | 0 | 4,155 | 4,155 |
| 2005/06 and prior | 0 | 0 | 0 | 3,053 | 3,053 |
| Total Tangible Fixed Assets | <u>1,256,546</u> | <u>25,361</u> | <u>383,383</u> | <u>44,103</u> | <u>1,709,393</u> |

The County Council's Farms portfolio, Highways Depots and Waste Disposal Sites were revalued in accordance with the five year rolling programme.

The County Council is not aware of any material change in value for assets, which were not re-valued as at 1 April 2009.

(b) Movement in Fixed Assets

Movements in Fixed Assets during the year (£1,709.4m tangible assets in (a) above plus £6.3m intangible assets) were as follows:-

| | Land and Buildings £000 | Vehicles, plant & Equip. £000 | Infrastructure £000 | Non- Operational Assets £000 | Intangible Assets £000 | Total £000 |
|--|-------------------------------|--|------------------------|---------------------------------------|------------------------------|------------------|
| Cost or Valuation | | | | | | |
| As at 1st April 2009 | 1,336,654 | 51,012 | 441,742 | 20,878 | 11,778 | 1,862,064 |
| Additions | 31,547 | 14,660 | 34,027 | 5,712 | 610 | 86,556 |
| Disposals | 0 | 0 | 0 | (4,747) | 0 | (4,747) |
| Reclassifications | (8,401) | 0 | 0 | 8,401 | 0 | 0 |
| Revaluations | (3,632) | 0 | 0 | 13,859 | 0 | 10,227 |
| As at 31st March 2010 | 1,356,168 | 65,672 | 475,769 | 44,103 | 12,388 | 1,954,100 |
| Depreciation and Impairments | | | | | | |
| As at 1st April 2009 | (67,323) | (31,149) | (80,492) | (14) | (4,814) | (183,792) |
| Charge for the year | (35,048) | (9,162) | (11,894) | 0 | (1,284) | (57,388) |
| Disposals | 0 | 0 | 0 | 322 | 0 | 322 |
| Reclassifications | 694 | 0 | 0 | (694) | 0 | 0 |
| Revaluations | 2,055 | 0 | 0 | 386 | 0 | 2,441 |
| As at 31st March 2010 | (99,622) | (40,311) | (92,386) | 0 | (6,098) | (238,417) |
| Balance Sheet Net Amount at 31st March 2009 | 1,269,331 | 19,863 | 361,250 | 20,864 | 6,964 | 1,678,272 |
| Balance Sheet Net Amount at 31st March 2010 | 1,256,546 | 25,361 | 383,383 | 44,103 | 6,290 | 1,715,683 |
| Nature of Asset Holding | | | | | | |
| Owned | 1,252,084 | 25,361 | 383,383 | 44,103 | 6,290 | 1,711,221 |
| Finance Lease | 114 | 0 | 0 | 0 | 0 | 114 |
| PFI | 4,348 | 0 | 0 | 0 | 0 | 4,348 |
| | 1,256,546 | 25,361 | 383,383 | 44,103 | 6,290 | 1,715,683 |

(c) Revenue Expenditure funded from Capital under Statute (REFCUS)

In determining the financing of capital expenditure, it is necessary to calculate the total spend that results in no addition to the asset base. This type of expenditure replaces the category previously known as "deferred charges". In line with accounting guidance, these amounts have been charged to the Income and Expenditure Account, in the year as the benefit of the expenditure does not extend beyond the 2009/10 financial year.

(d) Major Areas of Capital Spending

Major areas of capital spending, over £0.5m during 2009/10 were:-

| | Actual £000 |
|--|----------------|
| Children and Young People's Service | |
| Devolved Capital Funding to schools | 9,669 |
| Richmond School - Building Schools for the Future | 9,625 |
| National Digital Infrastructure | 6,609 |
| School projects funded from capital contributions | 6,171 |
| Forest Moor School | 5,009 |
| Childrens Centres | 3,363 |
| Health & Safety Schemes | 2,211 |
| Capitalised Repairs and Maintenance | 1,574 |
| Early Years Settings - Childrens Centres Play Area and Equipment | 1,506 |
| Surestart Extended Schools | 1,459 |
| Ripon College 6th Form Accommodation | 1,119 |
| Harrogate Grammar 6th Form Accommodation | 1,000 |
| Craven Pupil Referral Unit | 978 |
| Schools Access Initiative | 702 |
| Harrogate High Technology Accommodation | 623 |
| Ripon Grammar - Sports Hall | 604 |
| Richmond/Hambleton Pupil Referral Unit | 577 |
| Schools Catering Equipment | 569 |
| Play Pathfinder - Community Play Areas | 533 |
| Business and Environmental Services | |
| Structural Maintenance of Roads | 16,995 |
| Integrated Transport Block Provision (inc. fees) | 6,392 |
| Structural Maintenance on Bridges | 4,131 |
| New and Replacement Road Lighting Columns | 3,138 |
| Rationalisation of Highways Depots and Provision of Salt Barns | 2,668 |
| Regional Funding Allocation - Local Transport Provision | 2,006 |
| Scarborough Integrated Transport Scheme | 978 |
| Waste Management Service | 789 |
| Adult and Community Services | |
| Harrogate Library - Lottery Scheme | 1,900 |
| Other County Services | |
| Northallerton Bright Office Strategy | 2,658 |
| ICT Expenditure funded from Revenue | 2,254 |

The County Council has an approved capital programme for 2010/11 of £138m. Of this £99m is committed expenditure as at 1st April 2010. It should be noted, however, that this figure includes a significant element, (£51m), relating to a number of general provisions and other schemes where legal contracts had not been exchanged by 31st March 2010.

Of the remaining £48m, the significant schemes are as follows:-

| | £000 |
|--|---------------|
| Richmond School - Building Schools for the Future | 9,195 |
| Various Schools Accommodation Schemes | 8,196 |
| Special Educational Needs Requirements | 6,921 |
| Rationalisation of Highways Depots and Provision of Salt Barns | 4,158 |
| New and Replacement Road Lighting Columns | 3,300 |
| Childrens Centres | 2,873 |
| Disability Respite Centre, Skipton | 1,460 |
| Older People Resource Centre - Elder Street Scarborough | 1,990 |
| Harrogate Library & Information Centre | 1,200 |
| Gypsy Sites Accommodation | 1,331 |
| Northallerton Office Accommodation Review | 1,450 |
| Waste Disposal Service | 1,210 |
| Other | 4,665 |
| | <u>47,949</u> |

(e) Summary of Capital Expenditure and Sources of Finance

| | 2009/10 | | 2008/09 | |
|--|-----------------|----------------|-----------------|----------------|
| | £000 | £000 | £000 | £000 |
| Opening Capital Financing Requirement | | 364,518 | | 333,242 |
| Capital Investment | | | | |
| Operational Assets | 110,718 | | 113,278 | |
| Non-operational / Intangible Assets | 610 | | 1,232 | |
| Revenue Expenditure funded from Capital under Statute | 3,573 | | 2,899 | |
| | <u>114,901</u> | | <u>117,409</u> | |
| Sources of Finance | | | | |
| Capital Receipts etc. | (5,565) | | (5,304) | |
| Government Grants & other Contributions | (62,350) | | (54,844) | |
| Direct Revenue Funding | (16,691) | | (12,655) | |
| | <u>(84,606)</u> | | <u>(72,803)</u> | |
| New Capital Investment Funded through Borrowing | | 30,295 | | 44,606 |
| Less sums set aside from Revenue | | | | |
| MRP | | (14,375) | | (13,330) |
| Closing Capital Financing Requirement (CFR) | | <u>380,438</u> | | <u>364,518</u> |
| Increase in Capital Financing Requirement | | <u>15,920</u> | | <u>31,276</u> |

The above £380,438k CFR at 31st March 2010 relates only to Capital Spending funded from borrowing. From 2009/10 the PFI liability (£5,504k at 31st March 2010) has also to be included, so the total CFR at 31st March 2010 is £385,942k.

The difference between the £114.9m capital investment above and the £86.6m additions in note 15(b) relates to expenditure of £3.6m on Revenue Expenditure Funded from Capital under Statute and £24.5m of capital expenditure which resulted in no value being added to the County Council's asset base and £0.2m of additional loans made to Yorwaste Limited in 2009/10.

(f) Analysis of Fixed Assets

The list below gives an indication of the significant fixed assets of the County Council. In the main, the list includes those items actually in the ownership of the County Council. In the absence of comprehensive formal registers of fixed assets, it has not been possible to provide details of smaller items of plant or furniture and equipment.

Analysis of Fixed Assets as at 31st March 2010

| BUILDINGS | Number |
|--|--------|
| Children and Young People's Service | |
| Primary Schools | 323 |
| Secondary Schools | 46 |
| Special Schools | 11 |
| Nursery Schools | 3 |
| Outdoor Education Centres | 4 |
| Youth Centres (including those on school premises) | 53 |
| Pupil Referral Unit | 4 |
| REOTAS Offices | 8 |
| Surestart Centres | 35 |
| Offices | 25 |
| Family Centres | 2 |
| Respite Centres | 7 |
| Business and Environmental Services | |
| Highways Depots | 9 |
| Offices | 6 |
| Stores | 4 |
| Other | 5 |
| Relief Road Properties | 16 |
| Waste Disposal and Civic Amenity Sites | 35 |
| Adult and Community Services | |
| Family and Day Service Centres | 41 |
| Residential Establishments | 36 |
| Offices | 30 |
| Stores | 5 |
| Libraries | 47 |
| Registrars Offices | 9 |
| Archives | 1 |
| Chief Executive's Group | |
| Offices | 3 |
| Gypsy Sites | 7 |
| Finance and Central Services | |
| Offices | 6 |
| Stores | 1 |
| NON OPERATIONAL ASSETS | |
| Smallholdings | 59 |
| Number of Surplus Properties Awaiting Disposal | 25 |

| | Number |
|--------------------------------------|--------|
| INFRASTRUCTURE | |
| Length of County roads in kilometres | 9,415 |
| Number of Street Lighting Columns | 48,800 |

(g) Intangible Assets

An intangible item may meet the definition of an asset when “access to the future economic benefits” is controlled by an authority through custody or legal protection. Examples of this type of expenditure within the County Council’s Capital programme include:-

- Adult and Community Services partnership schemes where the County Council holds nomination rights to services
- Other Adult and Community Services schemes where the County Council receives an ongoing benefit through improved service
- ICT schemes providing infrastructure services and ongoing benefit to the County Council.

Details of Intangible Assets in 2009/10 are as follows:-

| | B/fwd 2008/09 £000 | Capitalised 2009/10 £000 | Charge to Revenue £000 | C/Fwd £000 |
|--|--------------------------|--------------------------------|------------------------------|---------------|
| Extra Care Facilities | 2,112 | 324 | (108) | 2,328 |
| Ripon Extra Care | 254 | 0 | (12) | 242 |
| Easingwold Extra Care | 1,712 | 0 | (80) | 1,632 |
| Older Peoples Resource Centre | 247 | 214 | (20) | 441 |
| Valuing People - Day Centre Provision | 200 | 0 | (19) | 181 |
| Milestone House - Respite Centre | 40 | 0 | (2) | 38 |
| Mental Health Supported Expenditure | 183 | 0 | (19) | 164 |
| Selby Office Base | 68 | 0 | (3) | 65 |
| Improving the Home Care Environment | 770 | 0 | (33) | 737 |
| Wide Area Network | 206 | 0 | (132) | 74 |
| Standard Desktop | 265 | 0 | (202) | 63 |
| Transformation ICT | 32 | 0 | (33) | (1) |
| ICT Software - provision for Integrated Children System | 875 | 72 | (621) | 326 |
| | <u>6,964</u> | <u>610</u> | <u>(1,284)</u> | <u>6,290</u> |

In line with the assessed life of the benefits received by the County Council, the intangible assets are being amortised to the Income and Expenditure Account and held in the Balance Sheet until they have been fully written down.

(h) Non-Operational Assets

These are assets owned by the County Council which are not directly occupied, or used in the delivery of its service or strategic objectives. Note 15(b) above gives an overall summary of the total amount of non-operational assets held and how this has moved in the year.

However, there are two distinct categories of assets within this heading:-

- (i) Surplus Assets – items declared surplus that are awaiting disposal
- (ii) Assets awaiting development –held in advance for future capital schemes.

Further analysis is as follows:-

| | Total £000 | Surplus Assets £000 | Assets awaiting Development £000 | Assets Under Construction £000 |
|-----------------------------|---------------|---------------------------|---|--------------------------------------|
| Value as at 1st April 2009 | 20,864 | 17,965 | 2,899 | 0 |
| Transfers in year | 13,419 | 7,867 | 0 | 5,552 |
| Disposals in year | (4,425) | (4,305) | (120) | 0 |
| Revaluation in year | 14,245 | 15,000 | (755) | 0 |
| Value as at 31st March 2010 | <u>44,103</u> | <u>36,527</u> | <u>2,024</u> | <u>5,552</u> |

16. Capital Grants Deferred Account

| | 31st March 2010 £000 | 31st March 2009 £000 |
|--|-------------------------|-------------------------|
| Balance brought forward | 208,706 | 164,393 |
| New Capital Grants Deferred | 62,350 | 54,843 |
| Grants released to Services | (11,123) | (8,242) |
| Grants amortised to Capital Adjustment Account | <u>(2,903)</u> | <u>(2,288)</u> |
| Balance carried forward | <u>257,030</u> | <u>208,706</u> |

This Account represents the total of external grants and contributions received to finance fixed assets. These amounts are then credited to Services within the Income and Expenditure Account over the useful life of the assets involved to offset the depreciation of the asset. The balance of £257.0m relates to assets that have continuing value in the Balance Sheet which have been financed by grants or contributions.

17. Long-Term Investments

The County Council has long term investments in Yorwaste Limited, NYnet Limited and Veritau Limited - which are all local authority owned companies, as follows:-

| | Shareholding % | Shareholding £000 | Dividends £000 |
|------------------|-------------------|----------------------|-------------------|
| Yorwaste Limited | 77.73 | 3,518 | 1,075 |
| NYnet Limited | 100.00 | 0 | 0 |
| Veritau Limited | 50.00 | 0 | 0 |

These companies' Profit and Loss Account are not included as part of the Income and Expenditure Account shown on page 28. However, the dividend income shown above is included as part of the County Council's income for 2009/10. Similarly, these companies' Assets and Liabilities are not included in the County Council's Balance Sheet on page 32. The County Council has determined, however, that it has a group relationship with these three companies and both therefore have been incorporated into its Group Accounts on pages 77 to 86.

Brief details of these Companies are as follows:-

Name :- Yorwaste Limited
Business :- The management, transport and disposal of waste

Name :- NYnet Limited
Business :- The provision of broadband infrastructure to North Yorkshire

Name :- Veritau Limited
Business :- The provision of Internal Audit and Information Governance Services

| | Yorwaste | | NYnet | | Veritau |
|------------------------------|-------------|-------------|-------------|-------------|-------------|
| | 31 Mar 2010 | 31 Mar 2009 | 31 Mar 2010 | 31 Mar 2009 | 31 Mar 2010 |
| | £000 | £000 | £000 | £000 | £000 |
| Net Assets / (Liabilities) | 10,922 | 10,756 | (6,612) | (4,712) | 386 |
| Loans from NYCC | 3,700 | 3,700 | 4,842 | 5,785 | 0 |
| Profit/(Loss) for the year : | | | | | |
| Before Tax and | 2,290 | 248 | (1,900) | (3,047) | 356 |
| After Tax | 1,543 | 271 | (1,900) | (3,047) | 281 |

Copies of these companies' Accounts are held by Finance and Central Services, County Hall, Northallerton.

The County Council had no investments for greater than one year as at 31st March 2010 which fall into the category of long term investments.

18. Long Term Debtors

| | 31st March 2010 | 31st March 2009 |
|---|-----------------|-----------------|
| | £000 | £000 |
| North Yorkshire Police Authority Long Term Debt | 1,177 | 1,412 |
| Car Loans | 291 | 306 |
| Economic Development Loans | 11 | 13 |
| Loans to Limited Companies | 8,542 | 9,485 |
| Loan to North Yorkshire Credit Union | 200 | 0 |
| Long Term Payments in Advance | 1 | 0 |
| | <u>10,222</u> | <u>11,216</u> |
| Less: Bad Debts Provision | <u>(11)</u> | <u>(12)</u> |
| | <u>10,211</u> | <u>11,204</u> |

The loan balances are increased by any new loans and reduced as a loan is repaid. Loans to limited companies, (Yorwaste and NYnet), and the North Yorkshire Credit Union have been made under "well being powers".

19. Landfill Allowances Trading Scheme (LATS)

The Landfill Allowances Trading Scheme (LATS) was introduced by the Government from April 2005 in order to reduce the amount of waste being land filled. DEFRA have allocated annual LATS allowances to each waste disposal authority to allow them to landfill a limited volume of

waste between 2005/06 and 2019/20. Allowances can be traded between local authorities as necessary in order to meet projected landfill requirements.

LATS Allowances are classed as a current intangible asset. The County Council received an allocation of 143,960 allowances in 2009/10. The County Council are forecast to use 132,654 allowances in 2009/10, which will leave an estimated balance of unused allowances of 11,306. In line with DEFRA Rules, these unused allowances cannot be carried forward into 2010/11 (and indeed no allowances were brought forward from 2008/09 into 2009/10). On the basis that it is unlikely that these surplus allowances can be sold by 30th September 2010, the allowances have been valued at zero. The reason for the low usage of allowances in 2009/10 is due to the continued success in diverting waste from landfill and to other methods of waste treatment such as recycling.

20. Stocks

| | 31st March 2010 £000 | 31st March 2009 £000 |
|--------------------------------|-------------------------|-------------------------|
| Type of Stock : | | |
| Highways Materials | 280 | 513 |
| Computers and other ICT stocks | 385 | 440 |
| Catering | 422 | 424 |
| Other items | 28 | 38 |
| | <u>1,115</u> | <u>1,415</u> |

21. Debtors

| | 31st March 2010 £000 | 31st March 2009 £000 |
|---------------------------|-------------------------|-------------------------|
| General Debtors | 21,128 | 19,804 |
| Government Departments | 21,627 | 23,752 |
| Payments in Advance | 11,452 | 7,639 |
| | <u>54,207</u> | <u>51,195</u> |
| Less: Bad Debts Provision | <u>(5,117)</u> | <u>(5,192)</u> |
| | <u>49,090</u> | <u>46,003</u> |

Included within the £21.1m for General Debtors and £21.6m for Government Departments is a figure of £8.0m, (£7.2m General and £0.8m Government), in respect of debtor invoices issued before 31st March 2010.

22. Creditors

| | 31st March 2010 £000 | 31st March 2009 £000 |
|------------------------|-------------------------|-------------------------|
| General Creditors | 54,795 | 56,145 |
| Government Departments | 21,771 | 21,487 |
| Income in Advance | 68,735 | 61,139 |
| | <u>145,301</u> | <u>138,771</u> |

Included within the £54.8m for General Creditors and £21.8m for Government Departments is £13.4m, (£11.8m General and £1.6m Government), relating to accounts paid after 31st March 2010 but which have been charged to the 2009/10 Accounts.

23. Provisions

| | 31st March 2010 £000 | Movement in year £000 | 31st March 2009 £000 |
|--|----------------------------|-----------------------------|----------------------------|
| Business and Environmental Services :- | | | |
| - Economic & Rural Services (LDF) | 76 | (24) | 100 |
| - Highways Advance Payments | 1,977 | 378 | 1,599 |
| - Waste Disposal | 213 | 182 | 31 |
| Insurance Provision (see Note 24) | 3,543 | 588 | 2,955 |
| Adult & Community Services :- | | | |
| - Section 117 Income | 450 | 0 | 450 |
| - County Care Scheduling System | 81 | 0 | 81 |
| | <u>6,340</u> | <u>1,124</u> | <u>5,216</u> |

The County Council is required to produce a Minerals and Waste Local Development Framework (LDF) document and a provision has been established to fund the costs of its production.

Where building work is undertaken which fronts onto a private street, a deposit under the Advance Payment Code is required from developers in respect of the cost of necessary street works. A provision is maintained in the Accounts representing deposits held where the liability of the developer has not yet been discharged.

A number of rent increases are outstanding on Waste Disposal sites, and a provision has been established to fund the increases when they are finally agreed.

Self-funding arrangements for employer's, public liability and motor claims have been established and an insurance provision has been created for this purpose.

Adult and Community Services can no longer charge for after-care services under s.117 of the Mental Health Act 1983. A provision has been established to cover the potential repayment of income already collected and accounted for.

Adult and Community Services are installing a "Staff Scheduling System" for the Home Care Services. As a result of delays a provision was established to meet the system implementation and initial support costs which will now fall in 2010/11.

There is some uncertainty relating to the actual timing of payments in relation to the above Provisions and therefore no analysis of expected timings of payments has been provided.

24. Insurance Provisions and Reserves

Sums are set aside to provide for the settlement of ongoing claims (identified as Provisions) and to provide for anticipated events which might give rise to claims (identified as Reserves). These sums have been determined after consultation with the County Council's insurers. Additionally, the County Council has made arrangements with its insurers to provide cover for:-

- Individual liability and motor claims in excess of £0.1m (£0.1m in 2008/09);
- Individual material damage claims in excess of £0.1m (£0.1m in 2008/09);
- Liability claims aggregating over £1.6m (£1.6m in 2008/09);
- Motor claims aggregating over £0.4m (£0.4m in 2008/09);
- Material damage claims aggregating over £0.5m (£0.5m in 2008/09).

25. Reserves

The County Council has a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans.

| | 31st March 2010 £000 | Movement in Year £000 | 31st March 2009 £000 |
|--|----------------------------|-----------------------------|----------------------------|
| Earmarked Reserves | | | |
| Local Management of Schools | 18,714 | 334 | 18,380 |
| Education Trading Reserves | 1,437 | 488 | 949 |
| Catering Service | 773 | 499 | 274 |
| Teachers' Severance | 2,498 | 898 | 1,600 |
| Insurance (note 24) | 9,414 | (143) | 9,557 |
| Schools R & M Scheme | (254) | 200 | (454) |
| Special Educational Needs | 2,054 | 824 | 1,230 |
| Children's Centres | 257 | (461) | 718 |
| Schools Block / DSG | 9,513 | (115) | 9,628 |
| ICT Equipment / Future Development | 638 | (464) | 1,102 |
| Asbestos | 0 | (80) | 80 |
| Continuing Education | 668 | 0 | 668 |
| Gas Ventilation in schools | 0 | (1,720) | 1,720 |
| Job Evaluation | 0 | (345) | 345 |
| Catering Information System | 20 | 0 | 20 |
| 16-19 Transfer (Machinery of Government) | 413 | (7) | 420 |
| Education for looked after children | 10 | 10 | 0 |
| High Needs Prevention | 380 | 380 | 0 |
| Learning Difficulties & Disabilities | 395 | 395 | 0 |
| Building Schools for the Future | 110 | 110 | 0 |
| Winter Maintenance | 0 | (250) | 250 |
| Highways - Traffic Signals | 288 | (132) | 420 |
| Production of Minerals Core Strategy | 457 | 457 | 0 |
| Initiative and Transformation within BES Directorate | 977 | 977 | 0 |
| Selby Swing Bridge | 400 | 400 | 0 |
| Trading Standards Proceeds of Crime Act | 122 | 122 | 0 |
| Yorkshire Dales & Harrogate Tourism Partnership | 25 | 25 | 0 |
| Accountable Body - YDHTP | 26 | 26 | 0 |
| BDM, Residual ex-contractor defects | 214 | 12 | 202 |
| Building Cleaning | 638 | 311 | 327 |
| School Library Services | (4) | (69) | 65 |
| Print Unit | 171 | (29) | 200 |
| Grounds Maintenance | 66 | 39 | 27 |
| CYPS - HR Services | 26 | 2 | 24 |
| Boilers and Kitchens | 400 | (35) | 435 |
| LAA Performance Reward Grant | 2,059 | 2,059 | 0 |
| Area Based Grant | 4,351 | (134) | 4,485 |
| Total Earmarked Reserves | 57,256 | 4,584 | 52,672 |

Reserves (continued)

| | 31st March 2010 £000 | Movement in Year £000 | 31st March 2009 £000 |
|--|----------------------------|-----------------------------|----------------------------|
| Total Earmarked Reserves (Brought Forward) | 57,256 | 4,584 | 52,672 |
| General Working Balances | 17,569 | (4,119) | 21,688 |
| | <u>74,825</u> | <u>465</u> | <u>74,360</u> |
| Statutory Accounting Reserves | | | |
| Revaluation Reserve (note 26) | 176,282 | 12,758 | 163,524 |
| Capital Adjustment Account (note 28) | 908,698 | (40,271) | 948,969 |
| Council Tax Adjustment Account (note 27) | 304 | 667 | (363) |
| Financial Instruments Adjustment Account (note 29) | 0 | 0 | 0 |
| Pensions Reserve (note 5) | (492,421) | (81,817) | (410,604) |
| Total Reserves | <u>667,688</u> | <u>(108,198)</u> | <u>775,886</u> |

26. Revaluation Reserve

The Revaluation Reserve records the unrealised gains from the revaluation of Fixed Assets.

| | 31st March 2010 £000 | 31st March 2009 £000 |
|-------------------------------------|-------------------------|-------------------------|
| Balance brought forward | 163,524 | 170,027 |
| Asset Revaluation | 20,206 | 4,119 |
| Addition of Assets | 126 | 835 |
| Disposal revaluation write down | (1,465) | (5,193) |
| Depreciation revaluation write down | (6,109) | (6,264) |
| | <u>176,282</u> | <u>163,524</u> |

The revaluation reserve is built up from individual balances for each asset. One of the key principles of the reserve is that an asset will not have a negative revaluation balance, no matter how much the reserve overall might be in surplus. There are five main life cycle events for a fixed asset when the Revaluation Reserve might come into operation: Acquisition / enhancement, depreciation / impairment loss, disposal / decommissioning, upward revaluation and downward revaluation.

27. Council Tax Adjustment Account

The Council Tax Adjustment Account is a new line in the Balance. SORP 2009 requires the County Council to show the accrued value of Council Tax Income relating to the County Council as at 31st March 2010 rather than the actual Council Tax paid over by Billing Authorities to the County Council during the Financial Year.

In addition, the County Council is required to show in its Balance Sheet provisions for the following:-

- Debtors for the County Council's share of Council Tax arrears at 31st March
- Provision for bad debts of Debtors in relation to Council Tax arrears as at 31st March
- Income in advance from Council Tax payers who have paid their Council Tax Bills early
- Creditor provision where the billing authorities have over-collected Council Tax in-year compared to the value of Council Tax precepts actually paid over to the County Council in 2009/10.

The Council Tax Adjustment Account represents an adjustment between the Council Tax collected and paid over to the County Council by billing authorities in 2009/10, and the County Council's accrued actual share of Billing Authority Collection Fund Balances in 2009/10. The Council Tax Adjustment Account also represents the County Council's actual net share of surplus or deficit in all the billing authorities collection funds combined at the end of 2008/09 and 2009/10 and can be calculated as follows:-

| | 31st March 2010 £000 | 31st March 2009 £000 |
|---|-------------------------|-------------------------|
| Council Tax Debtors | (8,693) | (8,346) |
| Provision for Doubtful Debts | 3,902 | 4,082 |
| Creditors for Pre-payments and Over-payments | 4,129 | 4,096 |
| Net creditors to the billing authority | <u>358</u> | <u>531</u> |
| Collection Fund Account (surplus (-) / deficit (+)) | <u>(304)</u> | <u>363</u> |

28. Capital Adjustment Account

The Capital Adjustment Account records the historic cost of acquiring, creating or enhancing fixed assets, (including depreciation and impairment), over the life of those assets as well as the resources set aside to finance them.

| | 31 March 2010 £000 | 31 March 2009 £000 |
|--|-----------------------|-----------------------|
| Balance Brought Forward | 948,969 | 996,555 |
| Resources set aside to finance capital expenditure | 35,177 | 14,244 |
| Added value written off | (28,145) | (20,919) |
| Historical cost of acquiring, creating, enhancing fixed assets | (46,357) | (40,843) |
| Write-down of Long-Term Debtors | <u>(946)</u> | <u>(68)</u> |
| | <u>908,698</u> | <u>948,969</u> |

The balance on the Capital Financing Account shows that capital finance has been set aside at a faster rate than fixed assets have been consumed and there is a nominal surplus when comparing financing to consumption of resources.

29. Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account (FIAA) was introduced as a requirement of the SORP 2007 in accordance with FRS 25, 26 and 29. No adjustment to the opening balances of financial assets and liabilities at 1st April 2007 as a result of the new accounting policies - recognition / de-recognition and re-measurement of financial instruments, were needed.

The new accounting policies have also been applied in full and no entries were required to be made to the FIAA for 2009/10. The balance on the FIAA is, therefore, zero in the Consolidated Balance Sheet.

No adjustments were required on the financial assets and liabilities as the interest rates relating to them, (loans and investments), were fixed. This means no adjustments were made to the Income and Expenditure Account which needed to reflect in the FIAA. Rescheduling of long term borrowing, also did not result to any changes in the FIAA as all resulting premiums and discounts were charged directly to the Income and Expenditure Account.

30. Capital Receipts Unapplied

All capital receipts in 2009/10 have been used to finance capital expenditure in the year.

31. Contingent Liabilities

The County Council has identified one area where a present or past obligation has resulted in the possibility of a future liability being incurred. This relates to the Scarborough Integrated Transport Major Highways Scheme.

The nature and expected financial implications of this event has resulted in the inclusion in the Explanatory Foreword on page 12 as a Material Contingent Liability.

The details in the Foreword include a brief description of the potential liability and indication of the uncertainties involved. Due to a number of factors, amounts can not yet be determined and disclosed. In line with accounting guidance (FRS 12) no adjustments have been made within the Balance Sheet for this liability.

32. Events after the Balance Sheet Date

Under FRS 21 - Events after the Balance Sheet Date, the County Council is required to disclose the date that the financial statements are authorised for issue. This establishes the date after which events will not have been recognised in the Statement of Accounts.

The Statement for 2009/10 was formally approved by the Audit Committee Members on 29th June 2010, with the statements being subject to the External Audit process.

Following the June 2010 Emergency Budget announcement, HM Treasury have confirmed that from April 2011 the increase in pensions will be linked to the Consumer Price Index (CPI) rather than the Retail Price Index (RPI).

The Corporate Director - Finance and Central Services will then authorise copies of the Accounts to be printed for all relevant parties once the external audit is completed. These will also be published on the County Council's website no later than 30th September 2010.

33. Trust Funds

The County Council acts as a sole trustee for eight trust funds during 2009/10, details of which are given below. These funds are invested in Charity Official Investment Fund - Fixed Income Shares, Schroders Charity Investment Fund or internally with the County Council. These funds are not assets of the County Council and are therefore not included in the Consolidated Balance Sheet.

| Trust Fund and Purpose | Income 2009/10 £000 | Expenditure 2009/10 £000 | Assets as at 31st March 2010 £000 |
|---|---------------------------|--------------------------------|--|
| Sir John Horsfall To assist by means of a grant, pupils who have attended primary or voluntary schools in the South Craven Area | 1 | 1 | 14 |
| Haywra Crescent Educational Trust Fund To be used for the promotion for Higher and Further Education in such a way the trustees think fit | 11 | 13 | 211 |
| Norwood Primary School To be used for educational purposes at Felliscliffe and Darley Schools | 0 | 2 | 59 |
| Wrea Head Ellis Fund To be used for the advancement of education | 8 | 1 | 795 |
| Burniston Educational Foundation Promoting education of persons under 25 who are or have parents resident in Burniston | 1 | 6 | 103 |
| JW Driver - The Annie Driver Award For the benefit of scholars / ex scholars of Cowling School attending or about to attend University or similar establishment | 0 | 0 | 14 |
| Felliscliffe School Charity (Consolidated) For the benefit of Grantley, Hampsthwaite and Felliscliffe Schools | 0 | 0 | 2 |
| Goathland School Endowment For the benefit of Goathland School | 0 | 0 | 1 |
| | <u>21</u> | <u>23</u> | <u>1,199</u> |

The assets of the trust funds at 31st March 2009 were £1,207k. The County Council has a policy of reviewing these funds so that only those that are still active are retained. Four funds were transferred to the York and North Yorkshire Community Foundation in 2009/10 and one trust fund was wound up.

34. Cash flow Statement

(a) Reconciliation of operating activities to net cash flow from revenue activities

| 2008/09 £000 | | 2009/10 £000 |
|-----------------|---|-----------------|
| (65,256) | Deficit for Year on Income and Expenditure Account | (63,512) |
| | Non-Cash Transactions | |
| 60,541 | Provision for Depreciation, Amortisation, Deferred Charges and Impairment | 65,053 |
| 18,020 | Non Enhancing Capital Expenditure | 24,572 |
| (10,531) | Capital Grants Released | (14,027) |
| 0 | Variation in bad and doubtful debt provision | 32 |
| 14,186 | Profit on Disposal of Fixed Assets | (197) |
| 16,008 | FRS 17 Adjustment | 16,767 |
| 1,443 | Other Non-cash Adjustments | 0 |
| <u>99,667</u> | | <u>92,200</u> |
| | Variations in working capital | |
| (368) | Decrease in Stock | 300 |
| (1,077) | Increase in Debtors | (3,086) |
| 2,845 | Increase in Creditors | 6,530 |
| 182 | Increase in Provisions | 1,124 |
| <u>1,582</u> | | <u>4,868</u> |
| <u>9,999</u> | Net Cash Outflow from Servicing of Finance | <u>13,098</u> |
| <u>45,992</u> | Net Cash Inflow from Revenue Activities | <u>46,654</u> |

(b) Reconciliation of cash movement to net debt

| 2008/09 £000 | | 2009/10 £000 |
|-----------------|---|-----------------|
| (262) | Increase in cash in period | (11,080) |
| 3,866 | Cash inflow from the increase in debt financing | 5,816 |
| <u>8,829</u> | Cash inflow from change in liquid resources | <u>15,207</u> |
| 12,433 | Movement in net debt | 9,943 |
| 183,469 | Net Debt at 1st April 2009 | 195,658 |
| (244) | Financial Adjustment For Accrued Interest | (268) |
| <u>195,658</u> | Net Debt at 31st March 2010 | <u>205,333</u> |

(c) Analysis of net debt

| | Balance 31st March 2010 £000 | Cash flow £000 | Balance 31st March 2009 £000 |
|--------------------------|------------------------------------|-------------------|------------------------------------|
| Cash (in hand)/Overdrawn | (40,154) | (11,080) | (29,074) |
| Debt due after one year | 310,125 | (9,746) | 319,871 |
| Debt due within one year | 39,940 | 15,294 | 24,646 |
| Short Term Investments | <u>(104,578)</u> | <u>15,207</u> | <u>(119,785)</u> |
| | <u>205,333</u> | <u>9,675</u> | <u>195,658</u> |

(d) Reconciliation of financing and management of liquid resources

| | 31st March 2010 £000 | Movement in year £000 | 1st April 2009 £000 |
|-------------------------------------|-------------------------|-----------------------------|------------------------|
| Cash | | | |
| Cash with Officers | (153) | 0 | (153) |
| Cash at Bank | (40,001) | 11,080 | (28,921) |
| Short Term Investments | <u>(104,578)</u> | <u>(15,207)</u> | <u>(119,785)</u> |
| Cash Inflow | <u>(144,732)</u> | <u>(4,127)</u> | <u>(148,859)</u> |
| Financing | | | |
| Borrowing repayable within one year | 39,940 | (15,294) | 24,646 |
| Long Term borrowing | <u>310,125</u> | <u>9,746</u> | <u>319,871</u> |
| Total Borrowing | <u>350,065</u> | <u>(5,548)</u> | <u>344,517</u> |
| Net Debt | <u>205,333</u> | <u>(9,675)</u> | <u>195,658</u> |

Liquid resources are current asset investments which include all Short Term investments, excluding cash, having a maturity date of less than 364 days.

The cash outflows and inflows within management of liquid resources are netted off as they relate to Short Term deposits, invested with approved banks, building societies and other organisations (see Note 37).

(e) Analysis of Government Grants

In line with the Statement of Recommended Practice and FRS 1, it is necessary to disclose the main revenue and capital grants received by the County Council. Capital grants appear within the body of the main Cash flow Statement.

| Revenue Grants | 2009/10 £000 | 2008/09 £000 |
|--|-----------------|-----------------|
| Children and Young Persons | | |
| Dedicated Schools Grant | 318,209 | 310,692 |
| Learning Skills Council Funding | 39,481 | 38,364 |
| Standards Fund | 29,708 | 25,275 |
| School Standards Grant | 19,087 | 18,776 |
| Sure Start and Childcare Grant | 13,783 | 11,487 |
| Government Grants - Miscellaneous | 4,015 | 2,449 |
| Youth Justice Board Grant Income | 1,534 | 1,539 |
| Local Area Agreement Grant | 1,019 | - |
| Training and Development Agency Grant Income | 708 | 1,150 |
| Young Persons Substance Misuse | 528 | 197 |
| Youth Opportunities Grant | 269 | 336 |
| Parenting and Early Intervention Programme | 183 | - |
| Parenting Experts Grant | 103 | - |
| Staying Put Funding | 100 | 100 |

| Revenue Grants (Cont) | 2009/10 £000 | 2008/09 £000 |
|--|-----------------|-----------------|
| Business and Environmental Services | | |
| Economic Development Grants | 1,519 | 824 |
| Road Safety Grant | 1,296 | 1,150 |
| DEFRA Animal Licenses Grant | 400 | 372 |
| Natural England Grants | 215 | 0 |
| Other Business and Environmental Services Grants | 159 | 251 |
| Adult and Community Services | | |
| Supporting People Initiative | 15,388 | 15,266 |
| Social Care Reform Grant | 1,563 | 0 |
| Campus Reform Grant | 148 | 0 |
| Other Adult and Community Services Grants | 600 | 2,585 |
| Corporate Services | | |
| Other Corporate Grants | 80 | 724 |
| | 450,095 | 431,537 |
| Capital Grants (See Cash Flow Statement) | | |
| | 2009/10 £000 | 2008/09 £000 |
| Children and Young People's Service | | |
| Devolved Capital Grant | 10,506 | 11,193 |
| Building Schools for the Future | 8,757 | 6,737 |
| National Digital Infrastructure | 6,608 | 5,812 |
| Forest Moor School | 5,009 | 0 |
| Childrens Centre Capital Grant | 3,305 | 2,969 |
| Sure Start Extended Schools | 1,459 | 0 |
| Primary Capital Programme | 1,014 | 0 |
| Other CYPS Capital Grants and Contributions | 16,293 | 3,499 |
| Business and Environmental Services | | |
| Integrated Transport Block Provision | 3,372 | 16,249 |
| Detrunking Grant | 2,005 | 394 |
| Waste Management | 552 | |
| Other BES Capital Grants and Contributions | 858 | 1,069 |
| Other Capital Grants (ACS and Other) | | |
| Harrogate Library Lottery Funding | 738 | 0 |
| Other ACS Funding | 656 | 1,167 |
| Other Services and performance Related Capital Grant | 1,218 | 50 |
| Total Capital Grants | 62,350 | 49,139 |

35. Dedicated Schools Grant

The County Council's expenditure on schools is funded by grant monies provided by the Department for Education (DfE) – the Dedicated Schools Grant (DSG). This is a ring-fenced grant and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance Regulations 2008. The Schools Budget includes elements for a range of services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2009/10 are detailed below:-

| | Central Expenditure £000s | Individual Schools Budget £000s | Total £000s |
|---|---------------------------------|--|---------------------|
| Final DSG for 2009/10 | 36,515 | 281,694 | 318,209 |
| Brought forward from 2008/09 | 9,187 * | 0 | 9,187 |
| Carry forward to future years agreed in advance | (9,187) | 0 | (9,187) |
| Agreed budgeted distribution in 2009/10 | <u>36,515</u> | <u>281,694</u> | <u>318,209</u> |
| Actual central expenditure | (36,590) | 0 | (36,590) |
| Actual ISB deployed to schools | 0 | (281,734) | (281,734) |
| ISB Overspend funded from LMS Contingencies | (40) | 40 | 0 |
| Carry forward from prior years utilised in 2009/10 | (115) | 0 | (115) |
| Total Carry forward to future years | <u>9,072</u> | <u>0</u> | <u>9,072</u> |

In 2009/10, £318.2m has been credited against the Children's and Education Services in the Income and Expenditure Account.

The overspend in 2009/10 of £115k against the central expenditure limit has been funded from a specific, earmarked reserve. Following consultation with Schools Forum, the cumulative carried forward DSG, totalling £9,072k overall (including £9,187k from prior years) will be used exclusively in support of the Schools Budget in 2010/11 and subsequent years.

* The final DSG brought forward from prior years has been adjusted by £47k to reflect the balance of unutilised DSG as at 31st March 2009 (the figure reported at 31st March 2009 was £9,140k).

36. Area Based Grant

In 2009/10 the County Council received £30.7m of Area Based Grant (ABG). ABG is treated as General Grant within the Income and Expenditure Account and is a direct replacement for grant funding, which up to 2007/08 was ring-fenced for specific local government functions.

The County Council is free to use all of this non-ringfenced funding as it sees fit, to support the delivery of local, regional and national priorities in the area, including the achievement of Local Area Agreement Targets. ABG is paid directly to the County Council that benefits from the grant, therefore the County Council has to account for the full value of ABG received in year, including those elements of grant paid out to External Partners in the delivery of Local Area Agreement targets.

ABG has been allocated to the following County Council Directorates in 2009/10, and can be summarised, together with the corresponding year-end expenditure, as follows:-

| | ABG Allocation £000 | Expenditure against Grant £000 | Grant Unspent £000 |
|-------------------------------------|---------------------------|--------------------------------------|-----------------------|
| Adult and Community Services | 9,122 | 8,708 | (414) |
| Business and Environmental Services | 7,039 | 5,600 | (1,439) |
| Chief Executive's Group | 237 | 222 | (15) |
| Children and Young People's Service | 13,382 | 10,939 | (2,443) |
| External Partners | 943 | 903 | (40) |
| | <u>30,723</u> | <u>26,372</u> | <u>(4,351)</u> |

The unspent ABG of £4.35m has been carried forward to 2010/11 via an ear-marked reserve. The full £30.7m 2009/10 allocation has been shown in the Income and Expenditure Account.

37. Financial Instruments

Financial Instruments are formally defined as contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. For the County Council, this definition covers the instruments used in Treasury Management activities, including the borrowing and lending of money and the making of investments.

The County Council has adopted the CIPFA Code of Practice on Treasury Management (as updated in 2009). This Code sets out a framework of operating procedures to reduce treasury risk and improve understanding and accountability regarding the Treasury position of the County Council.

The CIPFA Code of Practice on Treasury Management requires:-

- a Treasury Management Policy Statement (TMPS) stating the County Council's policies and objectives for its treasury management activities
- a framework of Treasury Management Practices (TMPs) setting out the manner in which the County Council will seek to achieve the policies and objectives set out above and prescribing how it will manage and control those activities.

The twelve recommended Treasury Management Practices are reviewed and updated as and when necessary in the light of regulatory and/or local policy changes and cover the following areas:-

- risk management;
- performance measurement;
- decision-making and analysis;
- approved instruments, methods and techniques;
- organisation, clarity and segregation of responsibilities and dealing arrangements;
- reporting requirements and management information arrangements;
- budgeting, accounting and audit arrangements;
- cash and cash flow management;
- money laundering;
- training and qualifications;
- use of external service providers; and
- corporate governance.

The County Council provides treasury management services to the external bodies listed on page 74 (the external bodies listed as having temporary loans with the County Council) and the loans from them represent working balances which are invested with the County Council.

(a) Financial Instruments Balances

The borrowings and investments disclosed in the Consolidated Balance Sheet are made up of the following categories of financial instruments.

| | 31st March 2010 £000 | 31st March 2009 £000 |
|--|----------------------------|----------------------------|
| Financial Liabilities at amortised cost :- | | |
| Less than 1 year | 39,940 | 24,646 |
| Long Term | <u>310,125</u> | <u>319,871</u> |
| Total Borrowings | <u>350,065</u> | <u>344,517</u> |
| Loans and receivables :- | | |
| Less than 1 year | 104,578 | 119,785 |
| Long Term | <u>3,518</u> | <u>3,518</u> |
| Total Investments | <u>108,096</u> | <u>123,303</u> |

The figures shown above consist of the nominal value of loans and investments plus accrued interest at that date. This complies with the requirements for financial instruments in accordance with SORP 2009.

(b) Financial Instruments Gains and Losses

The gains and losses recognised in the Income and Expenditure Accounts and Statement of Total Recognised Gains and Losses in relation to financial instruments are made up as follows:-

| | 31st March 2010 £000 | 31st March 2009 £000 |
|--|----------------------------|----------------------------|
| Financial Liabilities measured at amortised costs | | |
| Interest payable and similar charges | <u>15,886</u> | <u>17,875</u> |
| Financial Assets - Loans and Receivables | | |
| Dividends Received | (1,390) | (915) |
| Interest and Investment Income | <u>(1,398)</u> | <u>(6,961)</u> |
| | <u>(2,788)</u> | <u>(7,876)</u> |
| Net Loss for the year | <u>13,098</u> | <u>9,999</u> |

(c) Fair Value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried in the Consolidated Balance Sheet at amortised costs. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:-

- For loans from the Public Works Loan Board, (PWLB), new borrowing rates available from the PWLB have been applied and for other loans payable, current market rates

were obtained from the County Council's Treasury Management Advisors, Sector Treasury Services Limited.

- For loans receivable, the prevailing benchmark market rates have been used to provide fair value;
- No early repayment or impairment is recognised;
- Where an instrument, (loan / investment), will mature in the next 12 months, the carrying amount is assumed to approximate to fair value; and
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:-

Borrowing Activities

| | Carrying Amount | | Fair Value | |
|-----------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | 31st March 2010 £000 | 31st March 2009 £000 | 31st March 2010 £000 | 31st March 2009 £000 |
| PWLB Maturity Loans | 307,043 | 313,037 | 271,501 | 329,697 |
| Market LOBO Loans | <u>20,044</u> | <u>20,045</u> | <u>62,273</u> | <u>19,191</u> |
| Financial Liabilities | <u>327,087</u> | <u>333,082</u> | <u>333,774</u> | <u>348,888</u> |

The fair value is more than the carrying amount because the County Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. This commitment to pay interest above current market rates increases the amount that the County Council would have to pay if the lender requested or agreed to early repayment of the loans.

Investment Activities

| | Carrying Amount | | Fair Value | |
|--------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | 31st March 2010 £000 | 31st March 2009 £000 | 31st March 2010 £000 | 31st March 2009 £000 |
| Money Market Loans less than 1 years | 104,578 | 119,785 | 104,288 | 118,976 |
| Money Market Loans more than 1 year | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Loans and Receivables | <u>104,578</u> | <u>119,785</u> | <u>104,288</u> | <u>118,976</u> |

The fair value is lower than the carrying amount because the County Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This guarantee to receive interest above current market rate increases the amount that the County Council would receive if it agreed to early repayment of the loans.

The carrying amounts at 31st March 2010 in the above tables do not match the financial instruments balances at 37(a) because for the financial liabilities the "temporary loans to other

bodies” have been omitted and for the financial assets the shareholding in Yorwaste has been omitted.

(d) Disclosure of nature and extent of risks arising from Financial Instruments

The County Council’s activities expose it to a variety of financial risks, the key risks are:

- Credit risk – the possibility that other parties might fail to pay amounts due to the County Council;
- Liquidity risk – the possibility that the County Council might not have funds available to meet its commitments to make payments;
- Re-financing risk – the possibility that the County Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms; and
- Market risk – the possibility that financial loss might arise for the County Council as a result of changes in such measures as interest rate movements.

Overall Procedures for Managing Risk

The County Council’s overall risk management procedures focus on the unpredictability of financial markets and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework in the Local Government Act 2003 and the associated regulations. These require the County Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the County Council to manage risk in the following ways:-

- adopt the requirements of the Code of Practice:
- approve annually in advance, prudential indicator limits for the following three years:
 - the County Council’s overall borrowing limits:
 - it’s maximum and minimum exposures to fixed and variable rates:
 - it’s maximum and minimum exposures to the maturity structure of its debt:
 - it’s maximum annual exposures to investments maturing beyond a year: and
- approve an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

The Annual Treasury Management Strategy includes these procedures in order to manage the risks of the County Council’s financial instrument exposure. It is approved at the County Council’s annual council tax setting budget meeting before the beginning of the financial year.

Annual outturn reports are submitted to the Executive for Treasury Management and Prudential Indicators which set out full details of activities and performance during the preceding financial year. In addition, quarterly reports on Treasury Management matters are

also submitted to the Executive as part of the County Council's Quarterly Performance Monitoring report.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the County Council's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined in the treasury management strategy.

The County Council relies on credit ratings and "ratings watch" and "outlook" notices published by the three credit rating agencies (Fitch, Moodys and Standards & Poor) to establish the credit quality of counterparties and investment schemes. The main ratings are:-

- Long term - a measure of the capacity to service and repay debt obligations punctually;
- Short term - cover obligations which have an original maturity not exceeding one year and place greater emphasis on the liquidity necessary to meet financial commitments;
- Individual - a measure of an institution's intrinsic safety and soundness on a stand-alone basis; and
- Support - a view of the likely presence of a lender of last resort, either government or parent, with the willingness and the resources to aid a failing financial institution.

- Financial Strength - an opinion of a bank's intrinsic safety and soundness.

All three credit rating agencies also produce a Sovereign Rating which assesses a country's ability to support a financial institution should they get into difficulty.

No combination of ratings can be viewed as entirely fail-safe and all credit ratings, ratings watches and outlooks are monitored on a daily basis and changes made as appropriate. In addition, the County Council takes into account trends within the Credit Default Swap (CDS) Market. Since they are a traded instrument they reflect the market perception of an institution's credit quality unlike credit ratings which often focus on a longer term view. The County Council also monitors other sources of market intelligence, including the financial press, for rumours and speculation which may impact on organisations which the County Council may invest with.

This data is collated and interpreted using the Credit Worthiness Service provided by the County Council's Treasury Management advisor, Sector Treasury Services Limited. This service has been progressively enhanced over the last year and now uses a sophisticated modelling system to allocate a credit "score" for each organisation. Each score is then related to a series of colour codes which indicate the relative credit worthiness of counterparties and consequential maximum duration investment.

In addition, the County Council has set maximum investment limits for each organisation which also reflect that institutions credit worthiness – the higher the credit quality, the greater the investment limit. These limits also reflect UK Government involvement (i.e. Government ownership or being part of the UK Government guarantee of liquidity).

These limits can be summarised as follows:-

| Maximum Investment Limit | Criteria |
|--------------------------|---|
| £40m | UK "Nationalised" banks / UK banks with UK Central Government involvement |
| £30m | UK "Clearing Banks" and organisations covered by the UK Government guarantee of liquidity |
| £20m | Other UK based banks and high quality Foreign Banks |
| £10m | UK Building Societies |

The following analysis summarises the County Council's potential maximum exposure to credit risk as at 31st March 2010, based on experience of default assessed by the credit rating agencies and experience of its customer collection levels over the last five financial years, adjusted to reflect current market conditions.

| | Amount at 31st March 2010 £000 | Historical experience of default % | Historical experience adjusted for market conditions at 31st March 2010 % |
|--|--------------------------------------|---|--|
| Deposits with banks and financial institutions for less than 1 year | | | |
| Part Nationalised Banks with Fitch Rating Long Term AA- & Short Term F1+ | 55,381 | 0.0 | 0.0 |
| Other institutions with Fitch Rating Long Term AA- & Short Term F1+ | 49,197 | 0.0 | 0.0 |
| | <u>104,578</u> | | |
| Debtors | 49,090 | 0.3 | 0.3 |

No breaches of the credit rating criteria occurred during 2009/10 and the County Council does not expect any losses from non-performance by any of the banks or financial institutions in relation to deposits.

The County Council's exposure to credit risk can also be analysed by the Sovereign Rating of the Country in which the financial institution is domiciled as follows:-

| | Sovereign Rating as at 31st March 2010 | Amount at 31st March 2010 £000 |
|--------|---|--------------------------------------|
| UK | AAA | 104,566 |
| Sweden | AAA | <u>12</u> |
| | | <u>104,578</u> |

The County Council does not generally allow credit for its trade debtors. Analysis of invoices raised as at 31st March 2010, which are included within the £51.1m Debtors, can be analysed by age as follows:-

| 31st March 2010 | |
|--------------------|------------|
| £m | |
| Less than 3 months | 4.1 |
| 3 to 6 months | 1.0 |
| 6 months to 1 year | 1.0 |
| More than 1 year | 1.9 |
| | <u>8.0</u> |

Liquidity Risk

The County Council has ready access to borrowings from the money markets to cover day to day cash flow need, whilst the PWLB and money markets provide access to longer term funds. There is, therefore, no significant risk that it will be unable to meet its commitments under financial instruments.

The approved prudential indicators “limits for the maturity structure of debt” and the “limits placed on investments for greater than one year in duration” are the key parameters used to address liquidity risk. The maturity of debt limit is used when carefully planning new loans to be taken and (where it is economic to do so) making early loan repayments. Also the limit placed on investments is monitored when considering cash flow needs and placing funds in the longer term. The maturity analysis of financial liabilities (borrowing) is as follows:-

| | 31st March 2010 £000 | 31st March 2009 £000 |
|--|-------------------------|-------------------------|
| Less than one year | | |
| Public Works Loan Board | 11,918 | 8,211 |
| Market LOBO Loans | 5,044 | 5,000 |
| Temporary Loans from External Bodies | | |
| - North Yorkshire Pension Fund | 13,156 | 2,874 |
| - North Yorkshire Fire & Rescue Authority | 5,188 | 4,645 |
| - North York Moors National Park | 2,354 | 1,624 |
| - Yorkshire Dales National Park | 2,133 | 2,176 |
| - English National Parks Authorities Association | 147 | 116 |
| | <u>39,940</u> | <u>24,646</u> |
| Greater than one year | | |
| Public Works Loan Board | 295,125 | 304,826 |
| Market LOBO Loans | 15,000 | 15,045 |
| | <u>310,125</u> | <u>319,871</u> |
| Analysis of loans by Maturity | | |
| Between one and two years | 23,355 | 13,798 |
| Between two and five years | 52,013 | 56,109 |
| Between five and ten years | 41,661 | 17,520 |
| Between ten and fifteen years | 34,596 | 19,577 |
| Between fifteen and twenty five years | 24,700 | 44,622 |
| Between twenty five and forty years | 47,600 | 78,131 |
| More than forty years | 86,200 | 90,114 |
| | <u>310,125</u> | <u>319,871</u> |

Creditors are paid in accordance with suppliers' terms which, for liquidity risk purposes to the County Council, is less than 1 year and are not shown in the table above. Further analysis of creditors can be found in note 22.

The maturity analysis of financial assets, (investments), is as follows:-

| | 31st March 2010 £000 | 31st March 2009 £000 |
|--------------------|-------------------------|-------------------------|
| Less than one year | 104,578 | 119,785 |

Market Risk - Interest rate risk

The County Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the County Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:-

- Borrowings at variable rates - the interest expense charged to the Income and Expenditure Account will rise
- Borrowings at fixed rates - the fair value of the borrowing liability will fall
- Investments at variable rates - the interest income credited to the Income and Expenditure Account will rise
- Investments at fixed rates - the fair value of the assets will fall.

Borrowings are not carried at fair value on the Consolidated Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or Statement of Total Recognised Gains and Losses. However, changes in interest payable and receivable on variable borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance. Movements in fair value of fixed rate investments will be reflected in the Statement of Total Recognised Gains and Losses unless the investments have been designated as fair value through the Income and Expenditure Accounts.

The treasury management strategy includes sensitivity analysis and the prudential indicators for managing interest rate risk. One of the prudential indicators provides maximum and minimum limits for fixed and variable interest rate exposure. The treasury team also monitors the market and forecasts interest rates to adjust exposures accordingly. For example, during periods of falling interest rates, and where economic circumstances are favourable, fixed rate investments may be taken for longer periods to secure better long term returns.

If all interest rates had been 1.0% higher, with all other variables held constant, the financial effect would be:-

| | £000 |
|--|--------------|
| Increase in interest payable on variable rate borrowings | 0 |
| Increase in interest receivable on variable rate investments | 1,133 |
| Increase in government grant receivable for financing costs | <u>0</u> |
| Impact on Income and Expenditure Account | <u>1,133</u> |
| | |
| Decrease in fair value of fixed rate investment assets | 177 |
| | |
| Decrease in fair value of fixed rate borrowing liabilities | 3,514 |

The impact of a 1.0% fall in interest rates would be as above but with the movements being reversed.

Market Risk – Price risk

The County Council does not generally invest in equity shares but does have shareholdings to the value of £3.5m in Yorwaste Limited and a nominal value of £1 in NYnet Limited and Veritau. These holdings are generally illiquid and therefore are not exposed to losses arising from movements in the prices of these shares.

The shareholdings have arisen as they have been acquired rather than originated by the County Council. These long term investments are as a result of acquisition of specific interest and are not quoted in an active market. The County Council is not exposed to price movements.

The value of the above shares are classified as loans and receivables as a reliable fair value cannot be determined. There will be no impact on gains and losses to be recorded in the Statement of Total Recognised Gains and Losses.

Market Risk – Foreign exchange risk

The County Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

Further information can be found in note 17 Long Term Investments.

GROUP ACCOUNTS

The SORP recognises the wide diversity of service delivery vehicles used nationally by Local Authorities. The County Council produces a consolidated set of Group Accounts to show the totality of its operations in a transparent manner.

The County Council has undertaken significant research to identify and document its relationships with all partners, companies, joint ventures and voluntary organisations. Consideration of issues such as the type of interest, ownership of share capital, membership of appropriate committees, the degree of operational and financial control, access to benefits and exposure to risks have been key elements in this analysis.

Summary of Findings

In the majority of cases the arrangements for accounting for relationships with these organisations are fully covered within the County Council's Income and Expenditure Account. Similarly any assets and liabilities generated are accounted for within the County Council's Balance Sheet.

As a result there is no 'group' relationship for most of these arrangements.

After consideration of all relevant criteria, the County Council has determined that for 2009/10, it has a group relationship with five bodies:-

- Yorwaste Limited
- NYnet Limited
- Yorkshire Purchasing Organisation
- Veritau Limited
- North Yorkshire Business and Education Partnership

Yorwaste Limited

The County Council owns 78% of the issued share capital of Yorwaste Limited; a company established in 1993 whose principal activity is the provision of waste disposal facilities by the operation and management of landfill sites/recycling centres. The remaining shareholder in Yorwaste Limited is the City of York Council holding 22%.

The trading results for Yorwaste Limited for the year ended 31st March 2010 shows profit before and after taxation of £2.3m and £1.5m respectively and net assets of £10.9m.

Yorwaste Limited has been consolidated into North Yorkshire County Council's Group Accounts based on the provisions of FRS 2 as a subsidiary.

NYnet Limited

NYnet Limited is a company set up by the County Council in February 2007 to provide a world class high speed communication (broadband) infrastructure across North Yorkshire.

The Company has competitively procured a 'next generation broadband network' and sells capacity on that network to public sector organisations (including the County Council) as well as private sector internet service providers (ISP's) who then sell onto the end users of businesses and consumers.

The Company is limited by shares, which are 100% owned by the County Council and is managed by a Board of Directors appointed by the County Council – the Chief Executive, the Corporate Director – Finance and Central Services and one Councillor. The Chief Executive of the company and key staff have all been recruited from the private sector and have telecommunications experience.

A working capital loan facility is being provided by the County Council with the sum taken up at 31st March 2010 being £4.8m. This loan is included in the County Council's Balance Sheet on page 32 as a Long Term Debtor.

The trading result of the company for the year ended 31st March 2010 shows a loss of £1.9m and total assets of £7.1m together with liabilities of £13.7m (including the £4.8m loan from the County Council).

The £1.9m in-year trading loss reflects the continuing operational costs associated with starting-up. NYnet had to be established as an entity, and have procured its infrastructure before it could market to customers with any credibility. It is anticipated, as marketing activity increases and awareness of NYnet's market position also increases, that the company will breakeven in 2011/12 and will trade profitably in subsequent years.

NYnet Limited has been consolidated into North Yorkshire County Council's Group Accounts based on the provisions of FRS 2 as a subsidiary.

Yorkshire Purchasing Organisation (YPO)

Established as a joint committee of Local Authorities in 1974, YPO is a purchasing and supply service for office supplies, stationery and general equipment. The company supplies the constituent 13 member authorities but also schools, the voluntary sector and the general public. YPO operates on a self financing basis with no subsidies payable by any member authority. Any surpluses are used for dividend payment primarily but with some scope for re-investment.

YPO's year end is 31st December and its pre-audited financial results were an invoiced turnover of £102.0m resulting in an operating surplus for 2009 of £3.9m (£5.5m in 2008). A member's dividend was paid for the year 2009 totalling £6.1m. The County Council received £576k in dividends, calculated on the basis of sales to each local authority. The Organisation has net assets of £6.2m (a restated figure of £18.3m in Final 2008 accounts) with a general fund working balance in 2009 of £18.8m.

Due to the involvement of all member authorities in the Management Committee and its increasing use of customers outside of the local authority market, the County Council does not exert a significant level of influence over YPO's activities. Analysis of the relationship for group Account purposes concludes that it is equivalent to a simple investment. As the County Council made no original investment in 1974 and has no share capital, no consolidation adjustments are necessary.

Veritau Limited

In April 2009 North Yorkshire County Council and the City of York Council worked in partnership to develop a shared service covering all the functions of internal audit, counter fraud and information governance.

The company is wholly owned by both councils, with each council holding 50% of the shares. From 1st April 2009, Veritau Limited has responsibility for carrying out all internal audit, information governance and counter fraud services for the two councils. The financial results of Veritau Limited have been included in the 2009/10 Group Statement of Final Accounts.

In 2009/10 Veritau Limited made a profit before and after tax of £356k and £281k.

Veritau Limited has been consolidated into North Yorkshire County Council's Group Accounts based on the provisions of FRS 2 as a Joint Venture.

North Yorkshire Business and Education Partnership (NYBEP)

NYBEP is the lead body for education business links in the York and North Yorkshire area. It supports education and local businesses by managing high quality programmes for students in readiness for their working life. It is a company, limited by guarantee, and is managed by a board of Directors from local LEAs, schools and colleges and the business sector. The County Council has 30% representation on the board as does the City of York Council.

NYBEP's year end is to 31st July, to reflect school-year Accounts. NYBEP's Accounts for the 12 months to 31st July 2009 show income and expenditure of £2.5m and £2.4m respectively with total net assets of £763k. Any surpluses are available for re-investment by the company.

Draft Accounts as at 31st July 2010 show that NYBEP currently has total net assets of £705k. NYBEP incurred a deficit of £57k based on Income of £1,787k and Expenditure of £1,844k. The County Council has a significant influence over NYBEP and has classified the company in group terms as an associate member. Following the provisions of FRS 9, the County Council should consolidate 30% of the net assets and accumulated profit on NYBEP activities. As this only amounts to £212k as at 31st March 2010, no consolidation adjustments have been made in the group financial statements.

Financial Statements and Results

The Group Accounts for the County Council are presented on pages 81 to 84 and are based upon the consolidation of the County Council, Yorwaste Limited, NYnet Limited and Veritau Limited. It should be noted that although adjustments have been made to facilitate comparability between the sets of Accounts, there is a fundamental difference between the objectives of the organisations with the County Council being a non-profit making body. The figures included for two subsidiaries are based on their audited Accounts (Yorwaste and Veritau). The figures for NYnet Limited are based on their un-audited accounts. A summary of the main financial results is as follows:-

- Group Income and Expenditure Account

The consolidation results in the Net Cost of Services for the County Council being reduced by £733k. This relates to:-

- the incorporation of Yorwaste Limited's trading surplus of £2,290k
- the incorporation of NYnet Limited's trading deficit of £1,900k
- Veritau Limited's pre-tax trading surplus of £356k less a minority interest adjustment of £178k.
- consolidation adjustments of £165k relating to interest earned on loan balances held by the subsidiaries.

Overall however, the deficit of the County Council increases by £1,636k from £63,512k to £65,148k as a result of:-

- consolidation impact on Group Income and Expenditure Account listed above of £733k
- removal of Yorwaste Dividend payable in 2009/10 of £1,075k
- interest income received by the County Council from NYnet Limited of £109k and Yorwaste Limited of £55k
- taxation adjustments relating to Yorwaste Limited of £748k and Veritau Limited of £38k
- minority interest adjustment relating to the City of York Council's share of post-tax profits of Yorwaste Limited of £344k.

- Group Balance Sheet

The County Council's total assets have increased by £23.3m and liabilities have increased by £22.3m. The increase in net assets of £1.0m represents the County Council's holding of Yorwaste Limited's share capital and Profit and Loss Account, the County Council's holding of Veritau Limited's share capital and Profit and Loss Account, less the County Council's investment in Yorwaste Limited and the consolidation of net liabilities of NYnet Limited of £6.6m.

As a parent company of the above subsidiaries and Joint Venture, and in defining the nature of the Group relationships, the County Council recognises a commitment to meet its share of any accumulated deficits or losses of the three companies mentioned above. The County Council is also committed to provide a loan facility to NYnet Limited and Yorwaste Limited for the foreseeable future.

GROUP INCOME AND EXPENDITURE ACCOUNT 2009/10

| Total | | Subsidiary & Joint Venture | Consolid- | Total |
|----------------|---|-------------------------------|--------------|----------------|
| 2008/09 | NYCC | Companies | Adjust. | 2009/10 |
| £000 | £000 | (note 1) | (note 2) | £000 |
| | | £000 | £000 | |
| 2,666 | Central Services to the Public | 1,737 | | 1,737 |
| 705 | Court Services | 785 | | 785 |
| 44,055 | Cultural, Environment and Planning Services | 46,141 | (390) | 48,578 |
| 124,661 | Children's & Education Services | 129,883 | (256) | 126,767 |
| 51,835 | Highways, Roads and Transport Services | 59,837 | | 59,837 |
| 140,911 | Adult Social Care | 142,707 | | 142,707 |
| 358 | Housing Services | 201 | | 201 |
| 8,205 | Corporate and Democratic Core | 7,867 | (100) | 7,813 |
| 714 | Non Distributed Costs | 284 | | 284 |
| 374,110 | Net Cost of Services | 389,442 | (746) | 388,709 |
| 91 | Deficit on Corporate Trading undertakings | (709) | | (709) |
| (138) | Dividends Received | (1,390) | | (315) |
| (29) | Taxation | 0 | 823 | 786 |
| 60 | Minority Interest | | 344 | 344 |
| 303 | Precepts/Levies payable | 381 | | 381 |
| 17,875 | External Interest Payable | 15,886 | | 15,886 |
| (6,643) | Interest and Investment Income | (1,398) | | (1,234) |
| 19,039 | Pension interest cost and expected return on net assets | 31,147 | | 31,147 |
| 14,186 | Loss on Disposal of Fixed Asset | (197) | | (197) |
| 418,854 | Net Expenditure | 433,162 | 77 | 434,798 |
| (226,633) | Council Tax Income | (237,584) | | (237,584) |
| (11,567) | Non-Domestic Rate Income | (18,626) | | (18,626) |
| (27,637) | Area Based Grant | (30,723) | | (30,723) |
| (83,093) | Revenue Support Grant Income | (80,697) | | (80,697) |
| (1,062) | Other Government Funding | (2,020) | | (2,020) |
| 68,862 | Deficit for the year | 63,512 | 77 | 65,148 |

The Subsidiary companies are Yorwaste Limited, NYnet Limited and Veritau Limited. Veritau are included as a Joint Venture.

These adjustments reflect the material transactions between the Group organisations (the County Council, its two subsidiary companies and its Joint Venture). These transactions are in effect deducted from each organisations relevant income and expenditure and cash ingoings and outgoings figures in individual organisation's accounts prior to the consolidation of Group Accounts.

RECONCILIATION OF NYCC DEFICIT TO GROUP DEFICIT

| 2008/09 £000 | | 2009/10 £000 |
|-----------------|---|-----------------|
| 65,256 | Deficit on NYCC's Income and Expenditure Account | 63,512 |
| 777 | Less Yorwaste Dividend Income | 1,075 |
| (218) | Add Surplus arising from Yorwaste Limited trading | (1,198) |
| 3,047 | Less deficit arising from NYnet Limited trading | 1,900 |
| 0 | Add surplus arising from Veritau Limited trading | (141) |
| <u>68,862</u> | Group Account deficit for the year | <u>65,148</u> |

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

| 2008/09 £000 | | 2009/10 £000 |
|-----------------|--|-----------------|
| 68,862 | Deficit for the year on the Income and Expenditure Account | 65,148 |
| (4,923) | Surplus arising on revaluation of fixed assets | (20,364) |
| 29,890 | Actuarial losses on pension fund assets and liabilities | 64,998 |
| 143 | Less minority interests relating to Yorwaste Limited and Veritau Limited | (36) |
| <u>93,972</u> | Total recognised losses for the year | <u>109,746</u> |

GROUP BALANCE SHEET AS AT 31ST MARCH 2010

| Total 31st March 2009 | | NYCC £000 | Subsidiary Companies & Joint Ventures £000 | Consolid- Adjust. £000 | Total 31st March 2010 |
|---------------------------------|---|--------------------|---|----------------------------------|---------------------------------|
| | Fixed Assets | | | | |
| 1,278,382 | Land and Buildings | 1,256,546 | 7,958 | 171 | 1,264,675 |
| 24,969 | Vehicles, Plant, Furniture and Equipment | 25,361 | 4,928 | | 30,289 |
| 3,423 | Restoration and Aftercare Costs | 0 | 3,126 | 0 | 3,126 |
| 367,558 | Infrastructure | 383,383 | 6,912 | 0 | 390,295 |
| 6,964 | Intangible Assets | 6,290 | 0 | 0 | 6,290 |
| 20,864 | Non-operational Assets | 44,103 | 0 | 0 | 44,103 |
| 1,381 | Long Term Investments (note 4) | 3,518 | 1,147 | (3,518) | 1,147 |
| 1,719 | Long Term Debtors (note 5) | 10,211 | 171 | (8,713) | 1,669 |
| | Current Assets | | | | |
| 1,415 | Stocks | 1,115 | 0 | 0 | 1,115 |
| 56,342 | Debtors | 49,090 | 10,827 | (5,087) | 54,830 |
| 120,291 | Short Term Investments | 104,578 | 2,511 | 0 | 107,089 |
| 153 | Cash With Officers | 153 | 0 | 0 | 153 |
| 31,699 | Cash at Bank | 40,001 | 2,861 | 0 | 42,862 |
| 1,915,160 | TOTAL ASSETS | 1,924,349 | 40,441 | (17,147) | 1,947,643 |
| | Current Liabilities | | | | |
| (24,646) | Borrowing repayable within 12 months | (39,940) | 0 | 0 | (39,940) |
| (146,687) | Creditors | (145,301) | (13,422) | 5,087 | (153,636) |
| (67) | PFI Liability | (178) | 0 | 0 | (178) |
| | Long Term Liabilities | | | | |
| (5,504) | PFI Liability | (5,326) | 0 | 0 | (5,326) |
| (321,342) | Borrowing repayable in excess of 12 months | (310,125) | (9,611) | 8,542 | (311,194) |
| (213,280) | Capital Grants Deferred | (257,030) | (4,105) | 0 | (261,135) |
| (14,612) | Provisions | (6,340) | (8,954) | 0 | (15,294) |
| (410,604) | Pension Liability | (492,421) | 153 | 0 | (492,268) |
| (1,136,742) | TOTAL LIABILITIES | (1,256,661) | (35,939) | 13,629 | (1,278,971) |
| 778,418 | TOTAL NET ASSETS (note 3) | 667,688 | 4,502 | (3,518) | 668,672 |
| | REPRESENTED BY: | | | | |
| 0 | Share Capital (note 4) | 0 | 4,526 | (4,526) | 0 |
| 163,524 | Revaluation Reserve | 176,282 | 0 | 0 | 176,282 |
| 948,969 | Capital Adjustment Account | 908,698 | 0 | 0 | 908,698 |
| (363) | Council Tax Adjustment Account | 304 | 0 | 0 | 304 |
| 52,672 | Earmarked Reserves | 57,256 | 0 | 0 | 57,256 |
| 136 | Profit and Loss Account | 0 | (24) | (1,425) | (1,449) |
| 21,688 | General Working Balance | 17,569 | 0 | 0 | 17,569 |
| (410,604) | Pension Reserve | (492,421) | 0 | 0 | (492,421) |
| 2,396 | Minority Interest (note 6) | 0 | 0 | 2,433 | 2,433 |
| 778,418 | TOTAL CAPITAL & RESERVES | 667,688 | 4,502 | (3,518) | 668,672 |

GROUP CASH FLOW STATEMENT

| Group Cashflow 2008/09 | | NYCC | Subsidiary Companies & Joint Ventures | Consolid- Adjust. | Group Cashflow 2009/10 |
|------------------------------|--|-----------------|---|----------------------|------------------------------|
| £000 | | £000 | £000 | £000 | £000 |
| 47,006 | <u>Net cash inflow from revenue activities</u> <u>(note 14)</u> | 46,654 | 8,382 | 943 | 55,979 |
| | Returns on Investment and Servicing of Finance | | | | |
| | Cash Outflow | | | | |
| (17,905) | - Interest paid | (16,226) | (203) | 164 | (16,265) |
| | Cash Inflow | | | | |
| 6,808 | - Interest received | 1,469 | 63 | (164) | 1,368 |
| 137 | - Dividends received (note 2) | 1,390 | 0 | (1,075) | 315 |
| (10,960) | Net cash outflow from servicing of finance | (13,367) | (140) | (1,075) | (14,582) |
| (777) | Taxation | 0 | (74) | 0 | (74) |
| | Capital Expenditure and Financial Investment | | | | |
| | Cash Outflow | | | | |
| (112,156) | - Purchase of Fixed Assets | (111,128) | (4,325) | 0 | (115,453) |
| (4,462) | - Other Capital Payments | (67) | (193) | 0 | (260) |
| (116,618) | | (111,195) | (4,518) | 0 | (115,713) |
| | Cash Inflow | | | | |
| 5,415 | - Sale of Fixed Assets | 4,622 | 125 | 0 | 4,747 |
| 49,139 | - Capital Grants | 62,350 | 0 | 0 | 62,350 |
| 5,899 | - Other Capital Contributions | 993 | 96 | (943) | 146 |
| 60,453 | | 67,965 | 221 | (943) | 67,243 |
| (56,165) | Net cash outflow from capital activities | (43,230) | (4,297) | (943) | (48,470) |
| (224) | Equity Dividends Paid (note 2) | 0 | (1,383) | 1,075 | (308) |
| (21,120) | Net cash Out/(In)flow before financing | (9,943) | 2,488 | 0 | (7,455) |
| | Management of Liquid Resources | | | | |
| 8,813 | Movement in Short Term Investments | 15,207 | (2,005) | 0 | 13,202 |
| 6,086 | Movement in Long Term Investments | 0 | 0 | 0 | 0 |
| 14,899 | | 15,207 | (2,005) | 0 | 13,202 |
| | Financing Activities | | | | |
| | Cash Outflow | | | | |
| (33,531) | - Repayment of Long Term Loans | (75,761) | 0 | 0 | (75,761) |
| (133) | - Repayment of Short Term Loans | 0 | (400) | 0 | (400) |
| (33,664) | | (75,761) | (400) | 0 | (76,161) |
| | Cash Inflow | | | | |
| 37,000 | - New Long Term Loans Raised | 70,000 | 0 | 0 | 70,000 |
| 2,397 | - New Short Term Loans | 11,577 | 0 | 0 | 11,577 |
| 39,397 | | 81,577 | 0 | 0 | 81,577 |
| 5,733 | Net cash inflow/(outflows) from financing activities | 5,816 | (400) | 0 | 5,416 |
| (488) | Net cash inflow / (outflow) for year | 11,080 | 83 | 0 | 11,163 |

NOTES TO THE GROUP STATEMENTS

1. Yorwaste Limited achieved a pre-tax surplus of £2,290k which relates to the total profit generated by the Company before tax and before the payment of its dividend. The minority interest of £344k represents City of York Council's share in the company and has been removed as a consolidation adjustment.
2. The dividend paid by Yorwaste Limited for the year ending 31st March 2010 was £1,383k with £308k payable to the City of York Council. The Group income and expenditure Account has removed the County Council's £1,075k share of the dividend as a consolidation adjustment.
3. The total assets and liabilities of Yorwaste Limited have been incorporated into the Group position.
4. The total issued share capital of Yorwaste Limited is £4,526k (a total of 4,526,000 ordinary shares issued at £1 each). The County Council's holding at 77.73% of the issued share capital is £3,518k. Appropriate adjustments have been made for this holding, in the County Council's long term investment figure and Yorwaste Limited Share capital figure.
5. A long term debtor figure for £171k in Yorwaste Limited Group Accounts represents the contribution due from the County Council toward the restoration of previously filled areas at two landfill sites. Appropriate consolidation adjustments have been made to the net assets position between both organisations.
6. A minority interest in the Balance Sheet, representing the share holding of the City of York Council in Yorwaste Limited, is represented by issued share capital of £1,008k, plus the City of York Council's share of Profit and Loss Account surpluses of £1,425k – totalling £2,433k.
7. The policies of Yorwaste Limited in relation to fixed assets are different to that operated by the County Council. All the company's fixed assets are valued at historic cost less depreciation. The useful economic life of each asset is calculated individually with depreciation calculated on a straight line basis taking into account both commercial and technical obsolescence. Fixed assets are not revalued at any point during their useful life. The County Council does not direct Yorwaste to re-value its fixed assets on an on-going basis. As part of the preparation of its Statement of Final Accounts, the County Council instructs its Valuers, Bruton Knowles to perform a desk-top review to revalue Yorwaste's Fixed Assets. Depending on the results, and the significance of these results the County Council may make a consolidation adjustment. In the current year, no consolidation adjustment has been made as the difference in value is not considered to be material.
8. In 2009/10, Yorwaste Limited made a further exceptional impairment charge of £428k (£909k in 2008/09) in their Profit & Loss Account, in relation to a loan made to an associated company, Scarborough Power Limited, in which Yorwaste has a 24.9% interest.
9. NYnet Limited made a deficit of £1,900k in 2009/10 which has been fully consolidated into the Group Income and Expenditure Account.
10. The total assets and liabilities of NYnet Limited have been fully incorporated into the Group Accounts. Of most significance, £6.9m of Fixed Assets have been incorporated into the Group Accounts as Infrastructure Assets which represent ownership of a Broadband Network which is being depreciated, from November 2007, over 10 years because of the nature of the asset.

This accounting treatment differs from the treatment of the County Council's infrastructure assets, which consist mainly of roads, and are included in the Balance Sheet at historical cost and are depreciated over 40 years. The capital expenditure for this procurement has been funded by a combination of capital grants from Yorkshire Forward and Government Office (Yorkshire and the Humber) and a loan facility from the County Council.

11. Veritau Limited achieved a pre-tax surplus of £356k which relates to the total profit generated by the company before tax. A minority interest of £141k represents the City of York Council's 50% share in the company and has been removed as a consolidation adjustment.
12. Receipts and payments between Yorwaste Limited, NYnet Limited, Veritau Limited and the County Council are cancelled out on consolidation, including dividends paid by Yorwaste Limited.
13. The net figure of revenue income less expenditure can be reconciled with the net cash in-flow from revenue activities as follows:-

| | NYCC £000 | Yorwaste Ltd £000 | NYnet Ltd £000 | Veritau Ltd £000 | Consolid- Adjust. £000 | Total £000 |
|--|---------------|-------------------------|----------------------|------------------------|------------------------------|---------------|
| Net of Revenue Income less Expenditure | (63,512) | 1,543 | (1,900) | 141 | 943 | (62,785) |
| Net Cash Outflow from Servicing Activities | 13,098 | 387 | 112 | (2) | | 13,595 |
| Tax | 0 | 748 | 0 | 38 | | 786 |
| Increase in Stock | 300 | 0 | 0 | 0 | | 300 |
| (Increase) / Decrease in Debtors | (3,054) | (81) | 3,372 | (23) | | 214 |
| (Decrease) / Increase in Creditors | 6,530 | 323 | (388) | 135 | | 6,600 |
| Increase in Provisions | 1,124 | 0 | 0 | 0 | | 1,124 |
| Depreciation & Amortisation Charges | 65,053 | 4,092 | 876 | 2 | | 70,023 |
| Non Enhancing Capital Expenditure | 24,572 | 0 | 0 | 0 | | 24,572 |
| Loss on Disposal of Fixed Assets | (197) | 66 | 0 | 0 | | (131) |
| Expenditure on Restoration/Aftercare | 0 | (838) | 0 | 0 | | (838) |
| Capital grants released | (14,027) | 0 | (523) | 0 | | (14,550) |
| FRS 17 Adjustment | 16,767 | 0 | 0 | (126) | | 16,641 |
| Exceptional Provisions in respect of investments | 0 | 428 | 0 | 0 | | 428 |
| Net cash inflow from revenue activities | 46,654 | 6,668 | 1,549 | 165 | 943 | 55,979 |

NORTH YORKSHIRE PENSION FUND
FUND ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010

| 2008/09 £000 | | 2009/10 £000 | £000 |
|------------------|--|-----------------|------------------|
| | CONTRIBUTIONS AND BENEFITS | | |
| | Contributions | | |
| 72,620 | Employers - Normal | 76,276 | |
| 804 | - Special | 512 | |
| 2,320 | - Early Retirement Costs Recharged | 2,102 | |
| 24,218 | Employees - Normal | 25,689 | |
| 571 | - Additional Voluntary | 557 | |
| <u>100,533</u> | Total Contributions (note 11) | | 105,136 |
| 11,403 | Transfers in - Individual Transfers | | 16,215 |
| | <u>Less</u> | | |
| | Benefits | | |
| (46,044) | Pensions | (49,672) | |
| (13,388) | Commutation of Pensions and Lump Sum Retirement Benefits | (14,467) | |
| (1,276) | Lump Sums Death Benefits | (1,129) | |
| <u>(60,708)</u> | Total Benefits (note 11) | | (65,268) |
| | Leavers | | |
| (30) | Refunds of contributions | (181) | |
| 0 | State Scheme Premiums | 7 | |
| (6,304) | Transfers out - Individual Transfers | (9,502) | |
| <u>(6,334)</u> | Total Leavers | | (9,676) |
| (1,223) | Administration and other Expenses (note 13) | | (1,224) |
| <u>43,671</u> | Net additions from dealings with members | | <u>45,183</u> |
| | RETURNS ON INVESTMENTS | | |
| 30,479 | Investment income (note 15) | | 21,116 |
| (464,612) | Change in market value of investments (note 16) | | 453,318 |
| (216) | Taxation (Irrecoverable Withholding Taxes) (note 15) | | (370) |
| (3,512) | Investment management expenses (note 14) | | (3,446) |
| <u>(437,861)</u> | Net returns on investments | | <u>470,618</u> |
| (394,190) | Net Increase / (Decrease) in the Fund during the year | | 515,801 |
| 1,223,011 | Opening Net Assets of the Scheme | | 828,821 |
| <u>828,821</u> | Closing Net Assets of the Scheme | | <u>1,344,622</u> |

NORTH YORKSHIRE PENSION FUND - NET ASSETS STATEMENT

| 31st March 2009 £000 | | 31st March 2010 £000 | 31st March 2010 £000 |
|-------------------------|---|-------------------------|-------------------------|
| | INVESTMENT ASSETS (note 16) | | |
| | Fixed Interest Securities | | |
| 67,614 | Government | 0 | |
| 92,402 | Corporate | 109,805 | |
| <u>160,016</u> | Total Fixed Interest Securities | | 109,805 |
| 368,977 | Equities | | 665,410 |
| 2,934 | Index Linked Securities | 0 | |
| | Pooled Investment Vehicles | | |
| 232,910 | Unitised Insurance Funds | 361,976 | |
| 26,122 | Other Managed Funds | 182,326 | |
| <u>259,032</u> | Total Pooled Investment Vehicles | | 544,302 |
| | Derivative Contracts (note 16c) | | |
| 2,879 | Total Return Interest Rate Swaps | 0 | |
| 716 | Futures (Receivable) | 0 | |
| 3,906 | Forward Foreign Exchange Contracts (Receivable) | 10 | |
| <u>7,501</u> | | | 10 |
| | Cash Deposits | | |
| 14,910 | Cash and Cash Funds | 5,665 | |
| <u>0</u> | Certificates of Deposit | <u>0</u> | |
| 14,910 | Total Cash Deposits | | 5,665 |
| | Other Investment Balances | | |
| 9,421 | Investment Debtors | | 8,822 |
| <u>822,791</u> | Total Investment Assets | | <u>1,334,014</u> |
| | INVESTMENT LIABILITIES (note 16) | | |
| | Derivative Contracts (note 16c) | | |
| (683) | Futures (Payable) | 0 | |
| <u>(3)</u> | Forward Foreign Exchange Contracts (Payable) | <u>(3,920)</u> | |
| (686) | | | (3,920) |
| | Other Investment Balances | | |
| <u>(3,748)</u> | Investment Creditors | | <u>(5,555)</u> |
| <u>(4,434)</u> | Total Investment Liabilities | | <u>(9,475)</u> |
| <u>818,357</u> | NET INVESTMENT ASSETS | | <u>1,324,539</u> |
| | CURRENT ASSETS | | |
| 8,323 | Contributions due from employers | | 7,914 |
| 97 | Other Non-Investment Debtors | | 137 |
| | Cash | | |
| 2,874 | Invested with North Yorkshire County Council | 13,144 | |
| <u>(115)</u> | At Bank | <u>0</u> | |
| 2,759 | Total Cash | | 13,144 |
| <u>11,179</u> | Total Current Assets | | <u>21,195</u> |
| | CURRENT LIABILITIES | | |
| <u>(715)</u> | Non-investment creditors | | <u>(1,112)</u> |
| <u>(715)</u> | Total Current Liabilities | | <u>(1,112)</u> |
| <u>828,821</u> | Total Net Assets (note 8) | | <u>1,344,622</u> |

The accounts summarise the transactions of the Fund and deal with the net assets. They do not take account of the obligations to pay pensions and benefits which fall after the end of the Fund year.

NOTES TO THE PENSION FUND CORE STATEMENTS

1. General Description of the Fund

The North Yorkshire Pension Fund (NYPF) is a local government pension fund operated under the Local Government Pension Scheme (LGPS) Regulations 1997 (As Amended), providing pensions to employees of the principal local authorities and other admitted bodies in North Yorkshire. The Fund does not cover teachers, police and fire fighters for whom separate statutory pension arrangements exist.

The NYPF is financed by contributions from both employees and employers together with income earned from investments. The benefits payable under the 1997 Regulations (As Amended) are largely mandatory although there are some discretions available to the employing bodies. Any monies which are not immediately required to pay pensions and other benefits are invested in accordance with a predetermined investment policy.

The contributions payable by employees are prescribed by the Regulations, under which a New Look scheme was introduced with effect from 1st April 2008. A banded system of employees' contribution rates is now in place, based on the pay levels of individual members. The employer contributions are determined every three years by an independent assessment of NYPF carried out by the appointed Actuary.

Pensions paid to retired employees are subject to mandatory increases (usually annual), arising out of Pension Increase Acts. The cost effect of these increases is incorporated into the overall assessment of employers' contributions.

Membership of the LGPS is not compulsory. Employees have the option of being part of an occupational pension scheme, such as the NYPF, or alternatively purchasing a personal plan managed by a private sector company, or participating in the State Second Pension or a Stakeholder Pension. Employees over 16 years old, however, are automatically admitted to the NYPF unless they elect otherwise.

2. Membership

The following summarises the membership of the NYPF at 31st March:-

| | 31st March 2009 | in year variation +/- | 31st March 2010 |
|-------------------------------------|-----------------|--------------------------|-----------------|
| Category of Members | | | |
| Contributors | 28,372 | +251 | 28,623 |
| Deferred Pensioners | 19,953 | +2,126 | 22,079 |
| Pensioners | 13,333 | +786 | 14,119 |
| Contributing Employer Organisations | 61 | +3 | 64 |

3. Administration and Management of the Fund

The County Council is the administering authority for the NYPF. The Council's responsibilities are fulfilled by the Pension Fund Committee, which has powers delegated to it by the County Council. The majority of the assets of the NYPF are allocated to five principal investment managers, which as at 31st March 2010 were as follows:

- Baillie Gifford & Co
- Fidelity International Pensions Management
- Standard Life Investments
- Amundi Asset Management (previously known as Credit Agricole Asset Management)
- European Credit Management

The Fund also has a small portfolio of assets (£1.9m) held by RC Brown Investment Management PLC. This equity mandate is based around ethical criteria and has been invested at the request of one particular employing body.

In addition, the Fund has made direct investments in the following:-

- Yorkshire and Humber Equity Fund (formerly Yorkshire and Humber Regional Venture Capital Fund) (£3m committed, £1.5m drawn down by March 2010)
- A separate currency hedging account with the Fund's global custodian (see Note 7).

During the year the Fund disinvested from Hermes UK Third Focus Fund, the Hermes European Focus Fund and the Global Tactical Asset Allocation Fund managed by UBS Global Asset Management.

The investment managers are given wide discretion in the selection of securities in which investment can be made, limited only by the Regulations and any specific instructions given by the Committee. Further details of the investment policy of the Fund are included in Note 7.

During the year the Committee formally met on five occasions, plus an additional six meetings to consider the reports of the investment managers. The Committee receives professional advice from the following:-

- an independent Investment Adviser, Ms C Dobson of Investment Trustee and Adviser Services, (replaced Mr P Williams of Allenbridge EPIC in June 2010)
- a firm of Investment Consultants, Hewitt Associates (replaced Mercer in April 2010)
- the Treasurer.

Committee meetings provide a forum for discussion about economic and market trends, monitoring the performance of the investment managers and considering their investment strategies. Finance and Central Services staff of the County Council liaise with the investment managers, the Investment Consultant, and the Investment Adviser on day to day matters and are responsible for associated administrative and accounting functions relating to the Fund.

4. Scheduled and Admitted Bodies contributing to the Fund

The following are the 65 Scheduled and Admitted Bodies which contributed to the NYPF during 2009/10: (This differs from the 64 shown in Note 2 owing to the transfer of members from Yorkshire Coast College to the Grimsby Institute of Further and Higher Education, an Employing Body of the East Riding Pension Fund).

45 Scheduled Bodies:

| | |
|---|---|
| North Yorkshire County Council | Norton on Derwent Town Council |
| City of York Council | Knaresborough Town Council |
| Craven District Council | Glusburn Parish Council |
| Hambleton District Council | Skipton Town Council |
| Harrogate Borough Council | Richmond Town Council |
| Richmondshire District Council | Northallerton & Romanby Joint Burial Ctte |
| Ryedale District Council | Northallerton Town Council |
| Scarborough Borough Council | Malton Town Council |
| Selby District Council | Pickering Town Council |
| North Yorkshire Police Authority | Hunmanby Parish Council |
| North Yorkshire Fire & Rescue Authority | Haxby Town Council |
| North Yorkshire Probation Service | Ripon City Council |
| Yorkshire Dales National Park | Easingwold Town Council |
| North York Moors National Park | Kirkbymoorside Parish Council |
| Foss Internal Drainage Board | Filey Town Council |
| Marston Moor Internal Drainage Board | University of Hull, Scarborough Campus |
| Thornton Internal Drainage Board | Askham Bryan College |
| Great Ayton Parish Council | Selby College |
| Whitby Town Council | Craven College |
| Fulford Parish Council | Scarborough Sixth Form College |
| Sutton-in-Craven Parish Council | Yorkshire Coast College (until Dec 2009) |
| Selby Town Council | York College |
| Riccall Parish Council | |

20 Admitted Bodies:

| | |
|---|---|
| York St John University | York Archaeological Trust |
| Yorkshire Housing | Joseph Rowntree Charitable Trust |
| Welcome to Yorkshire (formerly Yorkshire Tourist Board) | Community Leisure Ltd (formerly Ryedale Sports) |
| North Yorks Business Enterprise Partnership | Balfour Beatty Infrastructure Services Ltd |
| York Museum & Galleries Trust | Yorkshire Coast Homes |
| Craven Housing | Jacobs UK |
| Richmondshire Leisure Trust | Superclean Services |
| Inspace | Veritau Limited |
| Scarborough Museums Trust | Wigan Leisure and Culture Trust (from Sept 09) |
| North Yorkshire LMS Pool | Enterprise |

5. Accounting Policies

The Accounts have been prepared in accordance with the provisions of section 2, Statement of Recommended Accounting Practice of the Pension SORP 2007 and the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2009, (SORP 2009).

Basis of Preparation

Except where otherwise stated below, the Accounts have been prepared on an accruals basis.

(a) Fund Account Transactions

- i) Benefits payable and withdrawal of contributions have been brought into the Accounts on the basis of all valid payments due in the year. Transfer values are those sums payable by, or receivable from, other pension schemes for individuals only and relate to periods of previous pensionable employment. Transfer values receivable are brought into the Accounts in the year in which they were received. The same basis is used for transfer values paid.
- ii) Dividends and interest on Government Stocks, Corporate Bonds, loans and deposits have been credited to the Fund in the year in which they are declared. Foreign income has been translated into sterling at the date of the transactions, when received during the year, or at the exchange rate applicable at 31st March 2010 where amounts were still outstanding at the year end.
- iii) A proportion of relevant officers' salaries have been charged to the Pension Fund on the basis of actual time spent on investment and related matters and pensions administration. Certain specific expenses have been charged direct to the Fund and other office expenses and related overheads have been charged to the Fund in proportion to the salaries charged.
- iv) The investment managers are paid quarterly fees, in arrears, on a sliding scale based on the market value of the investments managed at the end of each quarter. Upon the implementation of Investment Strategy Review II with effect from 1st October 2006, (see Note 7 below), the new contracts with Baillie Gifford & Co. and Standard Life Investments included an agreement to pay fees on a performance-related basis. An additional performance related fee was paid to Baillie Gifford & Co. (in respect of the Global Alpha strategy) during 2009/10.

(b) Current Assets and Liabilities

- i) Debtors and creditors are raised for all investment transactions made up to and including 31st March 2010 but not settled until later.
- ii) Dividend income accrued at 31st March 2010 but not received until 1st April or afterwards has been brought into the Fund's Accounts as a debtor in accordance with the Code.
- iii) Debtors are raised for known contributions due at 31st March 2010. No provision has been made for employees' and employers' contributions related to sums due on pay awards for 2009/10 not paid until 2010/11.
- iv) Retirement allowances and death grants where the date of leaving/death was up to and including 31st March are shown on a cash basis.

(c) Valuation of Investments

Investments are shown in the Accounts at their market value which have been determined as follows:-

- i) Securities quoted in the UK are valued at the last traded price quotations at close of business on 31st March 2010. In order to comply with the latest Statement of Recommended Practice, (see above) bid prices are used for the valuation of securities wherever possible
- ii) Securities quoted overseas are valued at the last traded price quotations of their local stock exchange as at 31st March 2010, and again bid prices are used for the valuation
- iii) Unit trusts and managed fund investments are stated at the bid prices quoted by their respective managers as at 31st March 2010
- iv) Other unlisted securities are valued having regard to latest dealings, professional valuations, asset values and other appropriate financial information.
- v) All overseas securities and cash are translated into sterling at the rate ruling at the Net Assets Statement date.

No allowance has been made for liabilities to pay pensions and other benefits after the 31st March 2010. The actuarial position of the Scheme is dealt with in the Certificate of the Actuary included in the Annual Report.

6. Actuarial position of the Fund

In common with other Local Government Pension Schemes an actuarial valuation is carried out every three years. The Valuation of the Fund on which contributions for 2009/10 were based was conducted as at 31st March 2007. This Valuation was effective for a period of three years beginning 1st April 2008.

The Common Rate of employers' contributions, required from all employers, for the three years is 12.3% of pensionable pay (10.4% in the 2004 Valuation).

This Common Rate was calculated as being sufficient, together with contributions paid by employees, to meet all liabilities arising in respect of service after the Valuation date.

The Common Rate was then adjusted having regard to the individual circumstances of each employer, particularly to reflect the numbers of starters/leavers/early retirements since the last Valuation date and relative to the size of the ongoing payroll base from which future contributions were derived.

A number of material developments affecting the Fund since 2004 led to changes in actuarial assumptions which increased the Common Contribution Rate (CCR) when compared to the previous Valuation, i.e.:-

- liabilities have increased due to falls in real yields on gilts
- assumed life expectancy has increased.

In order to mitigate the impact of the above factors, further changes were made to the actuarial assumptions, to assist in bringing the CCR down, the major ones being :-

- reducing the ill health allowance to 50% of the allowance made at the previous valuation
- giving an opportunity to some employers to allow for improved investment returns in the calculation of their individual contribution rate

- assuming that on average, 50% of retiring members will take the standard 3/80ths cash sum only, based on accrued service up to 31st March 2008 and 50% will take the maximum tax-free cash available at retirement.

The value of the Fund's assets at 31st March 2007 represented 68.8% of the Fund's liabilities. Based on the actuarial value of the Fund's assets at Valuation date of £1,266m, the deficit to be funded amounted to £602m.

In order to address this deficit whilst managing the costs of the Scheme to the taxpayer, the Fund continued to follow Communities and Local Government guidance and stabilise contribution rates by adopting a deficit recovery period of 27 years from 1st April 2008, (30 years at the 2004 Valuation). Therefore, an average additional contribution rate of 6.5% (over 27 years) was required to fund the deficit, implying an average employer contribution rate of 18.8% (12.3% + 6.5%) of pensionable pay, compared to 17.5% at the 2004 Valuation.

The contribution rates were calculated using the projected unit actuarial method.

Note that at 31st March 2010, the Fund's assets were valued at £1,345m, with the deficit being estimated at £996m, giving a solvency position of 58%. This fall in solvency was due to a combination of pressure on investment returns in unprecedented financial market conditions during 2008/09 plus the "growth" in liabilities, which are valued using gilt prices.

Following the June 2010 Emergency Budget announcement, HM Treasury have confirmed that from April 2011 the increase in pensions will be linked to the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). It is not possible to provide an accurate recalculation of the Present Value of Benefit Obligations at this time.

The actuarial assumptions for the 2007 Valuation in respect of Future Service were as follows:

| | For future service liabilities |
|---------------------|--------------------------------|
| Investment Return | 6.50% per annum |
| RPI Price Inflation | 2.75% per annum |
| Salary Increases * | 4.50% per annum |
| Pensions Increases | 2.75% per annum |

* plus salary scale for officers to allow for incremental increases

Some employing bodies took advantage of the "controlled flexibility" that was permitted by the Pension Fund Committee and chose either a shorter deficit recovery period than 27 years, or a bespoke investment strategy specifically assigned to a particular employer.

7. Investment Policy

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, require the County Council, as administering authority, to invest any NYPF monies which are not immediately required to pay pensions and other benefits. The Regulations set the limits for classes of investments and require the Fund to have a suitably diversified portfolio of investments. Apart from these legal constraints and prohibitions on trading in speculative derivatives and on stock lending and, from time to time, requiring a certain minimum level of investment held in cash, bonds and other similar securities, the Pension

Fund Committee places no restrictions on the investment managers regarding the type of investment they can, in their judgement, make.

Prior to a review of the Investment Strategy in 2004, the NYPF had a Fund specific benchmark which was applied to four main balanced manager mandates.

Following this review, (linked to the Triennial Valuation) and a subsequent manager selection process, two global fixed income managers were appointed from 1st July 2005. These are Amundi Asset Management and European Credit Management (ECM). Amundi has as their benchmark the “least risk portfolio” as agreed with the Actuary. This is 85% UK index linked gilts and 15% UK fixed income gilts, in both cases, with maturities exceeding 15 years. Amundi’s out-performance target is 2.5%. ECM had the same benchmark until January 2010 when it was changed to LIBOR following the decision to test the market for a “plain vanilla” corporate bond portfolio manager. This manager’s target out performance is 3% per annum.

On 2nd July 2009 the segregated assets held by Amundi were transferred to a Special Investment Fund (SIF) which is a form of unitised Mutual Investment Fund. It is domiciled in Luxembourg, with CACEIS Bank Luxembourg as its custodian.

Investment Strategy Review II took place in 2006/07 and changed the way equities were managed. Instead of the equity managers each managing a global equity portfolio, the new arrangements focussed on the existing managers’ strongest areas of experience and consistent performance.

As a result:

Baillie Gifford & Co. now manages two global (i.e. including UK) equity portfolios, namely Global Alpha and an unconstrained portfolio, the Long Term Global Growth (LTGG). Each of these portfolios is in the form of a pooled vehicle, rather than made up of separate direct holdings (i.e. ‘segregated’ holdings). The former has been set a target of +2% relative to the FTSE All World index, and the latter a target of +3% relative to the same benchmark.

Fidelity manages a segregated overseas equities (ex UK) portfolio with a target of +2% relative to a composite MSCI index, weighted 35% North America, 35% Europe excluding UK, 15% Pacific and 15% Emerging Markets.

Standard Life is managing a UK equity portfolio with a target of +3% relative to the FTSE 350 Equally Weighted index. This portfolio comprises segregated holdings in UK companies.

The 2009 Investment Strategy Review determined that the approach of hedging the Fund’s exposure to the major currencies using forward foreign exchange contracts should be reduced from 50% to 25%. This is managed by NYCC staff working directly with the NYPF’s global custodian (see below).

The market values as at 31st March 2010 of the separate portfolios, together with their proportions of the Fund, are shown in Note 8.

The global custodian is BNY Mellon Asset Servicing. The main services provided are custodianship of the Fund’s assets, including settlement of trades and collection of income, investment accounting and performance measurement (i.e. of the fund managers).

8. Analysis of Net Assets

The following table shows the total of investments and cash held by each Manager and the County Council as at 31st March:-

| | 31st March 2010 | | 31st March 2009 | |
|--|------------------|--------------|-----------------|--------------|
| | £000 | % | £000 | % |
| Investment Manager | | | | |
| Baillie Gifford & Co. - Global Alpha | 222,403 | 16.5 | 142,410 | 17.3 |
| Baillie Gifford & Co. - LTGG | 139,574 | 10.4 | 90,502 | 11.0 |
| Fidelity International | 326,603 | 24.3 | 201,776 | 24.3 |
| Standard Life Investments | 345,748 | 25.7 | 173,293 | 20.9 |
| European Credit Management | 109,818 | 8.2 | 59,052 | 7.1 |
| Amundi Asset Management | 180,819 | 13.4 | 118,563 | 14.3 |
| UBS Global Asset Management | 0 | 0.0 | 10,968 | 1.3 |
| RC Brown Investment Management | 1,919 | 0.1 | 1,167 | 0.1 |
| Hermes Focus Asset Management-UK | 0 | 0.0 | 709 | 0.1 |
| Hermes Focus Asset Management-Europe | 1 | 0.0 | 16,069 | 1.9 |
| Currency Hedging | (3,857) | (0.3) | 2,638 | 0.3 |
| Yorks & Humber Equity Fund | 1,509 | 0.1 | 1,208 | 0.1 |
| Transition Accounts | 2 | 0.0 | 2 | 0.0 |
| Internally Managed (cash and net debtors) | 20,083 | 1.6 | 10,464 | 1.3 |
| | <u>1,344,622</u> | <u>100.0</u> | <u>828,821</u> | <u>100.0</u> |

The following table shows the total of investments analysed by type as at 31st March:-

| | | 2010 | 2009 |
|----------------------------------|--------------------------------|------------------|----------------|
| | | £000 | £000 |
| UK Assets | - including pooled investments | 706,553 | 489,765 |
| Foreign Assets | - including pooled investments | <u>609,053</u> | <u>304,107</u> |
| Total Invested | | 1,315,606 | 793,872 |
| Cash and other Short Term Assets | | <u>29,016</u> | <u>34,949</u> |
| | | <u>1,344,622</u> | <u>828,821</u> |

9. Details of the ten largest segregated equity holdings as at 31st March 2010

| | Market Value | Percentage of |
|--------------------------|---------------|---------------|
| | £000 | Value of Fund |
| | | % |
| (1) GKN | 11,623 | 0.9 |
| (2) XStrata | 11,384 | 0.8 |
| (3) Lloyds Banking Group | 10,744 | 0.8 |
| (4) BP | 10,298 | 0.8 |
| (5) Glaxo SmithKline | 9,924 | 0.7 |
| (6) IMI | 9,809 | 0.7 |
| (7) Vedanta Resources | 9,546 | 0.7 |
| (8) Vodafone Group | 9,125 | 0.7 |
| (9) Yell Group | 8,708 | 0.6 |
| (10) DSG International | <u>8,485</u> | <u>0.6</u> |
| | <u>99,646</u> | <u>7.3</u> |

Members of the Fund can make Additional Voluntary Contributions (AVCs) which are invested in insurance policies with Prudential Assurance Company Limited on behalf of the individual members concerned. A statement of the value of these investments is given in Note 21.

| | 2009/10 £000 | 2008/09 £000 |
|--------------------------------|-----------------|-----------------|
| Benefits Payable | | |
| North Yorkshire County Council | 28,393 | 27,069 |
| Other scheduled bodies | 33,720 | 31,128 |
| Admitted bodies | 3,155 | 2,511 |
| | <u>65,268</u> | <u>60,708</u> |

12. Group Transfers

There were no group transfers in or out in 2009/10.

13. Administration Expenses

| | 2009/10 £000 | 2008/09 £000 |
|-------------------------------|-----------------|-----------------|
| Administration and Processing | 1,114 | 1,134 |
| Actuarial Fees | 58 | 56 |
| Legal and Audit Fees | 52 | 33 |
| | <u>1,224</u> | <u>1,223</u> |

14. Investment Management Expenses

| | 2009/10 £000 | 2008/09 £000 |
|--|-----------------|-----------------|
| Administration, Management and Custody | 3,206 | 3,252 |
| Performance Measurement Services | 30 | 33 |
| Other Advisory Fees | 210 | 227 |
| | <u>3,446</u> | <u>3,512</u> |

15. Investment Income

| | 2009/10 £000 | 2008/09 £000 |
|---------------------------------------|-----------------|-----------------|
| Fixed Interest Securities | 822 | 6,115 |
| Dividends from Equities | 13,602 | 13,324 |
| Income from Index - Linked Securities | 12 | 104 |
| Interest on Cash Deposits | 306 | 600 |
| Interest on Interest Rate Swaps | 6,324 | 10,336 |
| Underwriting Commission Received | 50 | 0 |
| | <u>21,116</u> | <u>30,479</u> |
| Irrecoverable withholding tax | (370) | (216) |
| Total Investment Income | <u>20,746</u> | <u>30,263</u> |

The reduction in Fixed Interest Securities, Income from Index-Linked Securities and Interest on Interest Rate Swaps is a result of the transfer of assets held by Amundi to the SIF (see note 7) on 2nd July 2009.

The irrecoverable tax relates to the element of the withholding tax deducted from overseas dividends not reclaimable. For 2009/10 the figure consisted of:-

| | |
|---|------------|
| | £000 |
| Irrecoverable withholding tax on dividends receivable in 2009/10. | 427 |
| Less: Netherlands withholding tax received under a 'Fokus Bank' claim as a result of a European Courts of Justice ruling. | (57) |
| Net Irrecoverable Tax 2009/10 | <u>370</u> |

16. Investments

(a) Market Value Reconciliation

| | Value at 1 April 2009 £000 | Purchases at cost & derivative payments £000 | Sales proceeds & derivative receipts £000 | Change in market value at 31 March 2010 £000 | Value at 31 March 2010 £000 |
|----------------------------|----------------------------------|--|---|--|--------------------------------------|
| Fixed Interest Securities | 160,016 | 92,419 | (194,713) | 52,083 | 109,805 |
| Equities | 368,977 | 455,510 | (365,657) | 206,580 | 665,410 |
| Index-linked | 2,934 | 0 | (3,265) | 331 | 0 |
| Pooled investment vehicles | 259,032 | 162,044 | (62,940) | 186,166 | 544,302 |
| Derivative Contracts | 6,815 | 14 | (7,827) | (2,912) | (3,910) |
| Total Invested | <u>797,774</u> | <u>709,987</u> | <u>(634,402)</u> | <u>442,248</u> | <u>1,315,607</u> |
| Cash Deposits | 14,910 | | | | 5,665 |
| Net Investment Debtors | 5,673 | | | | 3,267 |
| | <u>818,357</u> | | | | <u>1,324,539</u> |

Transaction costs are included in the cost of purchases and sale proceeds and include costs charged directly to the Pension Fund, such as fees, commissions and stamp duty. Transaction costs incurred during the year amounted to £1,743k (2008/09 £1,702k). In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. These investment vehicles are managed by Investment Managers registered in the UK. The amount of indirect costs is not separately provided to the Pension Fund.

(b) Analysis of Realised and Unrealised Profits / Losses

| | 2009/10 £000 | 2008/09 £000 |
|--|-----------------|------------------|
| Net Realised Profit / (Loss) on sales | 651 | (52,293) |
| Net Realised Profit / (Loss) on Currencies | 10,419 | (68,233) |
| Change in Value from Mid to Bid Pricing | n/a | (1,074) |
| Unrealised Profit / (Loss) as at 31st March 2010 | <u>442,248</u> | <u>(343,012)</u> |
| | <u>453,318</u> | <u>(464,612)</u> |

(c) Derivative Contracts

All positions in derivative contracts shown on the accounts as at 31st March 2010 are Forward Foreign Exchange Contracts. There are no Futures or Interest Rate Swaps positions due to changes in respect of the two fund managers who previously invested in these derivatives on a segregated basis, i.e. :-

1. The Fund disinvested from the Global Tactical Asset Allocation Fund managed by UBS Global Asset Management during 2009/10.
2. The derivatives within the Amundi Asset Management (formerly Credit Agricole Asset Management) portfolio were incorporated into a Special Investment Fund (SIF) during 2009/10. The individual investments and derivative positions within the SIF, therefore, are no longer required to be disclosed separately.

Forward Foreign Exchange Contracts are classed as Over the Counter contracts.

The Fund objective in using derivatives is to reduce risk in the portfolio by entering into futures positions to match assets that are already held in the portfolio, without disturbing the underlying assets and to mitigate the effect of currency risk on overseas investments. Interest rate swaps are used to replicate the performance of the index linked component of the benchmark.

17. Taxation

(a) United Kingdom Tax

The Fund is an exempt approved Fund under the Finance Act 1970 and is therefore not liable to UK income tax on interest, dividends and property income or to capital gains tax. Since the Budget changes of 1997, however, the Fund has not been able to recover UK Advance Corporation Tax on dividends.

(b) Value Added Tax

As the County Council is the administering authority for the Fund, VAT input tax is recoverable on all Fund activities, including expenditure on investment expenses.

(c) Withholding Taxes

Investment income from overseas suffers a withholding tax in the country of origin, except for income from the United States of America and certain European countries, where reciprocal agreements are in force and partial exemption exists.

18. Material Transactions with related parties

During the year no material transactions arose with related parties, other than those disclosed elsewhere in the Statement of Accounts. No material related party transactions occurred in respect of members of the Pension Fund Committee during 2009/10.

19. Stock Lending Arrangements

The Fund has not released stock to a third party under a stock lending arrangement within a regulated market at this period end or any previous years.

20. Material Contingent Liabilities

The Fund had no material contingent liabilities at the period end.

21. Additional Voluntary Contributions (AVCs)

As stated in note 11, members may make Additional Voluntary Contributions (AVCs) which are invested in insurance policies with the Prudential Assurance Company Limited on behalf of the individual members concerned.

The AVCs are not included in the Pension Fund Accounts in accordance with regulation 5(2)(c) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998.

The value of the Additional Voluntary Contributions Fund increased in the year by £989k, (£157k in 2008/09).

As at 31st March 2010 there were 1,877 active members in the AVC Fund (2,106 as at 31st March 2009), and there were 133 withdrawals from the AVC Fund during 2009/10 (138 during 2008/09) The total value of the AVC Fund serviced by these contributions as at 31st March was:

| | 31st March 2010 | 31st March 2009 |
|------------------------------------|-----------------|-----------------|
| | £000 | £000 |
| With Profits Retirement Benefits | 14,699 | 14,695 |
| Unit Linked Retirement Benefits | 1,037 | 569 |
| Deposit Fund Benefits | <u>789</u> | <u>272</u> |
| | <u>16,525</u> | <u>15,536</u> |
| Death in Service Benefits in Force | 6,459 | 7,437 |

The change in value of the AVC Fund during the year was:-

| | 31st March 2010 | 31st March 2009 |
|---|-----------------|-----------------|
| | £000 | £000 |
| Opening Balance | 15,536 | 15,379 |
| Income | | |
| Contributions received | 1,997 | 1,430 |
| Interest and Bonuses / Change in Market Value | 904 | 655 |
| Transfers In | 44 | 29 |
| Expenditure | | |
| Life Assurance Premiums | (15) | (14) |
| Retirement Benefits | (1,892) | (1,859) |
| Transfers Out and Withdrawals | (27) | (84) |
| Death - Return of Funds | (22) | 0 |
| Closing Balance | <u>16,525</u> | <u>15,536</u> |

22. Statement of Investment Principles (SIP)

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 require administering authorities to prepare, and review from time to time, a written statement recording the investment policy of the pension fund.

The Pension Fund Committee approved the latest version of the SIP for the NYPF on 24th June 2010. The SIP is reviewed as and when necessary with the latest version being available on the North Yorkshire Pension Fund website at www.nypf.org.uk together with other key documents, such as previous years' Annual Reports, the current Funding Strategy Statement, the Triennial Actuarial Valuation Report (see note 6), Interim Actuarial Reviews and Policy Statements in relation to Governance Compliance and Communications.

23. Annual Report

The Annual Report 2009/10 of the NYPF, which gives further details on the management of the Fund and on investment performance, will be available from October 2010 from Finance and Central Services, County Hall, Northallerton, DL7 8AL, or from the website referred to in Note 22.

Annual Governance Statement

2009/10

June 2010

Contents

Section

1. Scope of Responsibility
2. The Purpose of the Governance Framework
3. The Governance Framework
4. Role of the Chief Financial Officer
5. Review of Effectiveness
6. Activities of the Audit Committee
7. Significant Governance Issues
8. Summary
9. Signatures

1.0 SCOPE OF RESPONSIBILITY

- 1.1 North Yorkshire County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The County Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall duty the County Council is also responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions and establishing a sound system of internal control and arrangements for the management of risk.
- 1.3 A **Local Code of Corporate Governance**, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government (2007)*, was originally approved by the County Council in October 2008. Reviewed annually, the latest version was approved by the Audit Committee in June 2010 and will be approved by the County Council in July 2010. A copy of the Code is available on the County Council's website (www.northyorks.gov.uk) or can be obtained from the office of the Corporate Director – Finance and Central Services (telephone 01609 532114 or email john.moore@northyorks.gov.uk).
- 1.4 This Statement explains how the County Council has complied with the Code and also meets the requirements of Regulation 4(2) of the Accounts and Audit Regulations 2003, as amended, in relation to the publication of an Annual Governance Statement.
- 1.5 This Statement also confirms that the financial management arrangements within the County Council comply with the governance requirements of the CIPFA Statement on the *Role of the Chief Financial Officer in Local Government(2010)*. (See **Section 4** for details).

North Yorkshire Pension Fund

- 1.6 The governance arrangements and Final Accounts of the North Yorkshire Pension Fund (NYPF) are now audited separately from the County Council. However, because the NYPF is administered by the County Council, the governance arrangements of the County Council also apply to the NYPF. This Statement therefore also forms part of the governance framework for the NYPF. However, there are also a number of additional documents that relate purely to the affairs of the NYPF – these are **NOT** referred to further in this Statement as they relate solely to the governance of the NYPF. For further details of the specific governance arrangements of the NYPF please refer to the NYPF website (www.nypf.org.uk).

2.0 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- 2.1 The Governance Framework as detailed in the Local Code comprises the systems and processes, the culture and values, by which the County Council is directed and

controlled and the activities through which it accounts to, engages with and leads the community. It enables the County Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

- 2.2 The **system of internal control** is a significant part of that Framework and is designed to manage risk to a reasonable level rather than try to eliminate all risk of failure to achieve policies, aims and objectives. Because it is not possible to eliminate all risks, the system of internal control can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on a continuous process designed to identify and prioritise the risks that threaten the achievement of the County Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and then to manage them efficiently, effectively and economically.
- 2.3 The overall Governance Framework, and in particular the system of internal control, has been in place at the County Council for the year ended 31 March 2010 and up to the date of approval of this Statement alongside the Statement of Final Accounts.

3.0 THE GOVERNANCE FRAMEWORK

- 3.1 The requirement to have a robust and resilient governance framework and sound system of internal control covers all aspects of the County Council's activities. For the purposes of this Statement, the policies, procedures and operations that taken together create the overall governance framework are grouped under the following headings: -
- (a) for establishing and monitoring the achievement of the County Council's objectives;
 - (b) to identify, assess and manage the risks to achieving the County Council's objectives;
 - (c) to facilitate policy and decision making;
 - (d) to ensure the economical, effective and efficient use of the resources and assets;
 - (e) to ensure compliance with established policies, procedures, laws and regulations;
 - (f) for the financial management of the County Council and its financial reporting;
 - (g) to extend the governance principles to subsidiary companies and partnerships;
 - (h) performance management and the reporting thereof; and
 - (i) consulting and communicating with stakeholders.
- 3.2 The main features of each of these contributory components are as follows -
- (a) **arrangements for establishing and monitoring the achievement of the County Council's objectives**
 - the **Council Plan** sets out the long term objectives of the County Council. It is the overarching policy statement within which the County Council will

deliver its ambitions, improvements, services and functions over the medium term. It is reviewed annually in a process that is linked to the updating of the Medium Term Financial Strategy. The 2009/12 Council Plan identifies the priorities for improvement and is linked to the **North Yorkshire Strategic Partnership's Sustainable Community Strategy**;

- the **Medium Term Financial Strategy** (MTFS) sets out how the County Council will finance the Council Plan over the medium term. The current Strategy was approved by the County Council in February 2009 and covers the period 2009/12 – it also incorporates the annual Revenue Budget for 2009/10;
- there is an **integrated Service Planning and Budget Process** under which each Service Unit in each Directorate prepares a Service Performance Plan which sets out its detailed objectives, performance targets, available resources and risk assessment. These feed into both the Council Plan and the annual Budget/MTFS process;
- the **Performance Management framework** has been developed since the Comprehensive Performance Assessment (CPA) in 2002 to improve how the County Council monitors its performance. There is quarterly reporting of key performance indicators to Management Board and a joint meeting of Executive and the Scrutiny Committee Chairs. Performance monitoring is fully integrated with routine personnel, budgetary and efficiency plan monitoring so that the Executive can rely on robust monitoring and the provision of correct and current information for decision making;
- **Corporate Governance** (C-Gov) encompasses, defines and quality assures the various systems by which the County Council directs and controls its functions and relates to the North Yorkshire community. It is therefore the totality of the policies, management systems, procedures and structures that together determine and control the way in which the County Council manages its business, formulates its strategies and objectives and sets about delivering its services to meet those objectives, for the greater good of the community of North Yorkshire. The County Council aims to incorporate the principles of C-Gov into every dimension of its business to ensure that stakeholders can have confidence in the decision-making and management processes of the authority, and in the conduct and professionalism of its Elected Members, officers and agents in delivering services. The **Local Code of Corporate Governance** defines these values and expresses the approach adopted by the County Council. Adherence to this Code is overseen and monitored by the Audit Committee. The C-Gov Officer Group meets quarterly to update its C-Gov self-assessment checklist and monitor progress, especially in addressing areas identified to be in need of improvement; and
- additionally, the **Standards Committee** works on those areas of governance which fall within its remit. It is primarily concerned with standards of conduct for elected Members, the promotion of the principles in the Member Code of Conduct and the promotion of high ethical standards throughout the authority.

(b) arrangements to identify, assess and manage the risks to achieving the County Council's objectives

- the County Council's comprehensive, well established and award winning approach to **risk management** is laid out in the Corporate Risk Management Policy and its associated Strategy. These documents were reviewed during 2009/10. Implementation of the Action Plan is overseen by the Corporate Risk Management Group chaired by the Corporate Director – Finance and Central Services. Risk Registers are prepared and maintained at Corporate, Directorate and Service Unit levels; the generic risk assessment methodology is also applied to specific projects or areas of policy development (eg Building Schools for the Future, Highways Maintenance Contract 2012);
- the Corporate **Health and Safety** Policy was comprehensively rewritten in 2005. Corporate and Directorate Action Plans were recast in line with the updated Policy, and a whole range of new procedures in relation to performance monitoring and workplace inspections were subsequently implemented. Web based assessment tools and learning materials are also being developed. The Corporate Policy was reviewed in 2009/10 taking into account recent HSE guidance relating to local authorities, and a fresh Action Plan established; and
- **Internal Audit** arrangements operate to best practice professional standards, assessed and validated by the Audit Commission. The annual work programme is set out in an Audit Plan following the production of an Audit Needs Assessment and consultation with individual Directorates and the External Auditor. The Audit Committee approves the Audit Plan and receives, thereafter, regular reports on its progress. The Head of Internal Audit expresses an opinion on the controls in place for each Directorate on an annual basis; he also submits an Annual Report to the Audit Committee which includes his overall opinion for the County Council as a whole. During 2009/10, the Audit Plan included a greater number of corporate audits. Such audits are key to providing the appropriate assurance to the County Council that its overall governance arrangements remain effective. A number of corporate audits have already been reported on briefly to Audit Committee but the outcome of all corporate audits undertaken during 2009/10 will be reported in more detail at its meeting in April 2010.

Note – a company, Veritau, was established in April 2009 to provide internal audit and a range of related services to both the City of York Council and the County Council. Both authorities own a 50% share of the company with existing staff and facilities transferring to the company on that date. For governance purposes, Veritau reports to the Audit Committee in the same way as its in-house predecessor.

- a risk-based **Service Continuity Planning** process is being developed to enable the County Council to fully comply with the requirements of the Civil Contingencies Act 2004 and BS 25999. Roll-out at Directorate/Service Unit continued in 2009/10 linked to specific work that is being done in generic risk areas. Generic areas that have been targeted include IT security and office premises, both of which link into wider strategies viz Information Governance and Bright Office;
- to ensure full compliance with the *Good Governance Standard for Public Services* and the CIPFA SOLACE *Delivering Good Governance in Local Government Framework* (2007), the C-Gov Officer Group has developed, and continues to maintain and regularly update, a **Self Assessment Check List** covering the whole internal control agenda. As part of this process, a central record of key internal control weaknesses identified within the internal control environment is prepared which inputs to this Annual Governance Statement; and
- the **Performance Management** framework developed since the CPA in 2002 continues to be refined. Risks to the achievement of key objectives are highlighted via the quarterly 'traffic lights' report to enable Management Board and the Executive to take action to manage those risks.

(c) arrangements to facilitate policy and decision making in the County Council

- the **Constitution** sets out how the County Council operates, how decisions are made and by whom, and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people. The Constitution also embraces the detailed Contract, Financial and Property Procedure Rules, Scheme of Delegation, Codes of Conduct, etc. These are reviewed and updated on a regular basis to ensure they are consistent with the contemporary operating requirements of the County Council;
- all 72 Councillors meet together as the **Council**. Meetings are open to the general public. At its annual meeting in May each year the Council appoints its Chairman. The Leader and the Executive are appointed at the annual meeting in an election year. The Council is responsible for setting the budget and policy framework of the County Council;
- the **Executive** is responsible for taking the decisions that implement the policies of the County Council. If the Executive wishes to make a decision outside the policy framework (including the Budget) set by the Council, this must be referred to the Council as a whole to decide. Each Member of the Executive has a portfolio responsibility that relates to a specific area(s) of the County Council's services and responsibilities. The Executive meets formally at least once a month but will hold informal meetings on a more regular basis as required to progress the business of the authority;

- the **Management Team** (which comprises the Chief Executive and all Corporate Directors plus Assistant Chief Executives) is responsible for implementing all County Council policies and decisions, providing advice to Members, for co-ordinating the use of resources and the work of the Directorates. Circumstances permitting, the Management Board meets weekly;
- there are eight **Overview and Scrutiny Committees** that support the work of the Council and the Executive, together with a Scrutiny of Health Committee. Their roles and responsibilities are detailed in Article 6 of the Constitution;
- A separate Audit Committee has been in operation since April 2006. (**See Section 6 below**). The role of the Audit Committee is to act as the responsible body charged with ensuring that a sound system of internal control operates throughout the County Council. In doing so, it provides independent assurance to the Council on the adequacy of the risk management framework and the associated control environment and independent scrutiny of the County Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment. It also oversees the Procedure Rules that relate to Contracts, Finance and Property matters as well as the Information Governance and Counter Fraud arrangements. During 2009/10 it also became involved in satisfying itself that the Treasury Management activities of the County Council were fit for purpose;
- **Statutory Officers / Codes and Protocol** – the County Council employs officers to give advice, implement decisions and manage the day-to-day delivery of its services. Certain officers have a designated specific duty to ensure that the County Council acts within the law and uses its resources wisely (**see (e) and (f) below**). The Protocol on Member / Officer relations, is part of the Constitution and, amongst other documents, governs the relationships between Officers and Members of the Council;
- **Registers of interests, gifts and hospitality** are also maintained for Members and officers. Details of **Related Party Transactions** are sought from all Members and senior officers (and if required will be submitted to the National Fraud Initiative); and
- pursuant to its powers under Section 101 of the Local Government Act 1972 the Council arranges for certain of its functions to be discharged by officers of the Council as set out in the **Officers Delegation Scheme**.

(d) arrangements for ensuring the economical, effective and efficient use of resources and assets by the County Council

- **comprehensive budgeting systems** are applied consistently across all Directorates;
- **regular reviews of periodic financial reports** by Portfolio Members and the Executive, covering all service and corporate budgets,

- income/expenditure trends against forecasts and possible impacts on balances, reserves and provisions;
- **quarterly (and annual) corporate Performance and Improvement reporting** to the Executive (to which meetings the Chairmen of the Overview and Scrutiny Committees are invited) and Management Board, including Key Performance Indicators, Revenue Budget, Capital Plan, Personnel and Efficiency Plan targets. This is supported by more frequent reporting and monitoring within Directorates;
- the County Council outperformed the Government's **Annual Efficiency (Gershon)** targets. A three year Value for Money Plan (targeting 3% pa) covering the period 2008/11 is in place with targets substantially achieved in Years 1 and 2, whilst Year 3 is consolidated in the Revenue Budget / Medium Term Financial Strategy for 2010/13;
- independent statistics continue to show that the County Council is a low spending but high performing authority. The annual budget process includes a specific exercise to relate performance data with that regarding unit costs. This data together with ideas emerging from the Change and Improvement process (see below) is fundamental to the preparation of the **VFM Plan** which is required to produce 3% cashable efficiency savings in each of the three years 2008/11;
- a **Change and Improvement process** is in place, led by the Chief Executive which co-ordinates, amongst other things, the systematic application of BPR techniques to key business processes, linked to the use of flexible IT, an aggressive accommodation review (Bright Office Strategy) and workforce remodelling all within a framework of improving public access to services and seeking efficiency gains. For 2009/10, this process made a vital contribution to the achievement of the VFM Plan and will continue to do so for the foreseeable future;
- **risk prioritisation processes** designed to identify key risks to the achievement of objectives, evaluate risk controls and ensure risk reductions are embedded within Service Performance Plans;
- clearly defined **Contract, Financial, and Property Procedure Rules** which set out arrangements for incurring actual expenditure, collecting income, making claims for grants, buying/selling property, etc;
- **independent monitoring** of all the above by the Monitoring Officer, Section 151 Officer and Internal Audit Service on a regular basis;
- developing the skills of Members is being targeted through a **Member Development Programme**, a dedicated online learning site and a suite of resources and training events;
- a corporate **Workforce Plan** supported by Directorate specific Workforce Plans, ensure that the County Council is able to maintain and manage its workforce to meet current and future service needs. The Plans address a wide range of issues such as recruitment, induction, career progression, flexible working and succession planning. The completion of the Equal Pay and Job Evaluation process has provided a new pay and reward framework and a comprehensive set of job descriptions and job specifications, which combined with the ongoing appraisal process, now

- provide a backdrop for individualised development plans for members of staff; and
- an **Asset Management Strategy** has been in place since 2006. In addition to the redefinition of key corporate processes (eg purchasing and disposal of property) the adoption of a corporate approach to repairs/maintenance combined with up to date condition data, etc, provided a foundation in 2009/10 for a systematic approach to property improvement based upon the needs of the services (both users and providers). A new Capital Project Management system (Gateway) has been implemented that will improve the delivery of larger projects. The system is integrated with the job management system (PMCS) used by the County Council's property adviser, Jacobs UK; this integration means there is now a single source of data relating to projects, shared by the County Council and its principal adviser on property matters. The Executive also receives an **Annual Property Performance report** that details the progress made on key indicators relating to property and asset management.

(e) arrangements to ensure compliance with established policies, procedures, laws and regulations by the County Council

- the Assistant Chief Executive (Legal and Democratic Services) is currently the officer designated by the County Council as the **Monitoring Officer** and is responsible for performing the duties imposed by **Section 5** of the **Local Government and Housing Act 1989** which relate to ensuring the legality of the Council's operation;
- the County Council has a **complaints procedure** that is advertised by leaflets and on its website. The procedure includes targets for acknowledging and responding to complaints in full;
- **Elected members** have a significant role to play in ensuring compliance and propriety, either collectively (eg through the work of the Overview and Scrutiny Committees), and individually as local representatives, providing feedback from their constituents;
- Elected members have to agree to follow a **Code of Conduct** to ensure high standards in the way they undertake their duties. Members must complete a **Register of Interests** which is publicly available. The County Council has established a **Standards Committee**, which trains and advises councillors on the Code of Conduct and monitors its operation. Members have also undergone voluntary CRB checks. Finally, the Committee has in place procedures for the assessment, investigation and determination of complaints against Members and a procedure for granting dispensations;
- officers from the **Committee Services Unit** attend all formal meetings of elected members to advise on the constitutional aspects of processes, proposed decisions and actions. Officers from the **Legal Services Unit** will also attend, where appropriate;

- there is a **Local Code of Corporate Governance** in place that is fully consistent with the CIPFA / SOLACE Framework *Delivering Good Governance in Local Government (2007)*. The Local Code defines -
 - ➔ the fundamental values and principles of corporate governance
 - ➔ the corporate governance framework and arrangements to deliver it within the County Council
 - ➔ arrangements for annual review and reporting of the framework;
- the County Council has approved and implemented a formal **Whistleblowing Policy** and **Counter Fraud Strategy**; these are reviewed annually by the Audit Committee;
- the requirements of the **Data Protection** and **Freedom of Information** legislation are co-ordinated by an Information Management Team (part of Veritau*) which is also working in conjunction with the Records Management Officer to develop a **Records Management** Strategy. During 2009/10 this will be merged into a comprehensive Information Governance Framework;
- the requirements of ISO 27001 (Information Security) are coordinated by the Information Security Officer working in conjunction with the Information Management Team; and
- the County Council has an approved **Equality Statement**. The three Equality schemes are being harmonised and combined into a single Equality scheme. The County Council has achieved Level 2 of the Equality Standard for Local Government and is progressing to the 'Achieving' level (previously Level 3).

(f) arrangements for the financial management of the County Council and its financial reporting

- as part of its Constitution, the Council has approved **Budget and Policy Framework Procedure Rules, Contract Procedure Rules, Financial Procedure Rules, and Property Procedure Rules**;

The purpose of these rules is to set out a framework within which the County Council conducts its financial affairs. These rules are applied by the Corporate Director – Finance and Central Services and are designed to ensure that proper financial arrangements are in place and operational at all times. They are reviewed by the Audit Committee on an annual basis;

*see note in paragraph 3.2(b) above

- The **statutory duties of the Corporate Director – Finance and Central Services** in relation to financial management derive from five principal sources:
 - ➔ Section 151 of the Local Government Act 1972
 - ➔ Section 114 of the Local Government Financial Act 1988
 - ➔ Local Government Act 2000 (particular decisions contrary to policy or budget)
 - ➔ Local Government Act 2003 (prudential limits for borrowing and investment)
 - ➔ Accounts and Audit Regulations 2003 (as amended);

The Corporate Director – Finance and Central Services (CD-F&CS) drafts a **Medium Term Financial Strategy** and presents it annually to the Executive and the Council; linked to this Strategy are the detailed **Revenue Budget, Capital Plan, VFM Plan, Treasury Management arrangements and Prudential Indicators**;

The CD-F&CS is responsible for determining the accounting procedures, the form of financial records and statements and for maintaining the financial accounts of the County Council. The CD-F&CS also ensures that proper accounting arrangements are established in all Directorates. Individual Corporate Directors are responsible for the satisfactory operation of financial and accounting systems within their Directorates;

To assist in this process, there is an Assistant Director (qualified as an Accountant) allocated to each Directorate with specific responsibility for financial matters. The postholder sits on the Management Teams of both the Service Directorate and of Finance and Central Services;

It is the duty of all Service Managers within Directorates to plan and manage their budgets to meet the agreed bottom line budget figure for their Service Unit. This includes ensuring that adequate arrangements exist for monitoring budgets throughout the year, and taking action to adjust the budget to ensure that overall control of expenditure is maintained. The CD-F&CS is responsible for submitting a quarterly report to Executive on the overall revenue budget position; this report is part of the Quarterly Performance and Improvement reporting arrangements referred to **under (d) above**;

The CD-F&CS prepares and publishes an annual **Statement of Final Accounts** that conforms to all statutory and professional requirements, codes of practice and timetables;

- the **external auditor** for 2009/10 appointed by the Audit Commission is Deloitte LLP: they will publish an Annual Audit Letter on the completion of their audit that follows the end of each financial year; and

- under the Accounts and Audit Regulations 2003, the County Council has a legal responsibility to provide an adequate and effective **internal audit** of its records and control systems. The Council has delegated this responsibility to the CD-F&CS who provides the service through Veritau*

Using a risk assessment methodology, the Head of Internal Audit produces an **Annual Audit Plan** for approval by the CD-F&CS. It is also endorsed by the Audit Committee; progress against this Plan is reported quarterly to the CD-F&CS and to the Audit Committee.

In addition to carrying out the work specified in the Annual Audit Plan, Veritau* also provides –

- ➔ advice and assistance to service managers in the design and implementation of system controls
- ➔ support to managers in the prevention and detection of fraud, corruption and other irregularities
- ➔ development of the Information Governance Framework and the provision of advice and guidance on information governance related matters.

The Head of Internal Audit provides an **audit opinion**, based on the level of assurance gained by the work carried out, for each audit undertaken.

At the end of the financial year, a summary of the audit work carried out is reported to each Corporate Director and an audit opinion, based on the overall level of assurance, is given for each Directorate. In each case these reports are cross referenced to the Directorate Risk Register and an **annual Statement of Assurance provided by the Corporate Director**. The **Head of Internal Audit also submits an Annual Report** to the Audit Committee that includes his overall opinion on the adequacy of the internal control environment for the County Council as a whole.

(g) arrangements to extend the governance principles to subsidiary companies and partnerships

- where the County Council is a substantial **equity holder in a company** (eg Yorwaste, NYnet, Veritau) it will ensure appropriate governance arrangements are in place both within the company and as between the company and the County Council, that are based on the Local Code but also take into account the operational circumstances of the company;
- for **partnerships**, the County Council has implemented a self assessment template that identifies if all the necessary governance procedures are in place relative to the level of risk that any failure or underperformance by the Partnership represents to the County Council. All proposed new partnerships use the template and it was rolled out to more of the existing partnerships during 2009/10; the process will continue into 2010/11;

*see note in **paragraph 3.2(b)** above. The Head of Internal Audit is the CEO of Veritau

(h) arrangements for the performance management of the County Council and the reporting thereof

- the County Council has identified its corporate priorities for improvement in its **Council Plan 2009/12** and these are linked to the **North Yorkshire Strategic Partnership's Sustainable Community Strategy** priorities and the **Medium Term Financial Strategy**. The improvement actions and benefits linked to the priorities are set out in the Council Plan together with the performance indicators and the principal targets that are used to track performance. Progress on these is reported to the public in the Council Plan. The Council Plan is approved by the Council each year; and
- the Council's improvement priorities, as set out in the Council Plan and in its service performance plans and strategies, are **reviewed regularly** throughout the year. This is achieved through -
 - ➔ quarterly reporting on key performance indicators including personnel, finance and VFM to Management Board, the Executive and Chairs of the Scrutiny and Overview Committees
 - ➔ regular reports to Corporate Directors and Executive Portfolio Holders
 - ➔ publication of an **Annual Report on Overview and Scrutiny** by the Scrutiny Board.

(i) arrangements for consulting and communicating with stakeholders

- the County Council communicates the vision of its purpose and intended outcomes for all stakeholders to enable accountability and encourage open consultation. To enable this, analysis of the Council's stakeholders is undertaken and relevant and effective channels of communication are developed. Key mechanisms include –
 - ➔ publishing a Council Plan and annual Statement of Final Accounts to inform stakeholders and services users of the previous year's achievements and outcomes;
 - ➔ engagement with strategic partners through the North Yorkshire Strategic Partnership, publication of its Sustainable Community Strategy and delivery of priority outcomes via the Local Area Agreement;
 - ➔ opportunities for the public to engage effectively with the County Council including attending meetings;
 - ➔ a Citizens' Panel of 2000 residents who are consulted on a wide range of issues throughout the year;
 - ➔ consultation toolkit that provides advice to all staff about how to consult effectively;

- ➔ maintaining a County Council website that provides access to information and services and opportunities for public engagement; and
- ➔ publication of the NY Times – 11 editions are published each year circulated to all householders in the County. Certain editions are scheduled to address key issues (eg annual budget).

4.0 ROLE OF THE CHIEF FINANCIAL OFFICER

4.1 The County Council fully complies with the requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). The role of the Chief Financial Officer in North Yorkshire County Council is carried out by the Corporate Director – Finance and Central Services. He is the formal S151 Officer. An assessment of compliance has been carried out by the Audit Committee. The governance requirements used in the assessment are based on the CIPFA Statement – the *Role of the Chief Financial Officer in Local Government*.

5.0 REVIEW OF EFFECTIVENESS

5.1 Under the Accounts and Audit Regulations 2003, the County Council has responsibility for formally conducting, at least annually, a review of the effectiveness of the system of internal control.

5.2 On behalf of the Audit Committee, and in conjunction with Corporate Directors and senior officers, the C-Gov Officer Group, (which includes the Monitoring Officer, Section 151 Officer and the Head of Internal Audit) reviews matters relating to the internal control environment of the organisation on a regular and ongoing basis by referring, amongst others, to the work of

- ➔ the Executive;
- ➔ the Management Board;
- ➔ the Corporate Directors and their Service Unit Heads in the individual Directorates;
- ➔ the Internal Audit function (as carried out by Veritau) and the Insurance & Risk Management Section;
- ➔ the Standards Committee;
- ➔ the Audit Committee; and
- ➔ the Audit Commission and other external inspectorates.

5.3 In relation to the Management Board, the Chief Executive and all of the Corporate Directors have prepared and signed individual **Statements of Assurance** for 2009/10 relating to the internal control procedures, and the review thereof, in their service areas.

5.4 This ongoing review of the effectiveness of internal control systems is also informed by the work of Veritau* who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

5.5 The Audit Committee takes responsibility for the annual review of the effectiveness of the system for internal audit. (**See Section 6 below.**)

*see note in **paragraph 3.2(b)** above.

6.0 ACTIVITIES OF THE AUDIT COMMITTEE

6.1 During 2009/10 the Audit Committee met five times and -

- ➔ agreed the Internal Audit work plan;
- ➔ considered the annual fraud and risk loss assessment;
- ➔ considered all the work done by Veritau* throughout the year. Where appropriate reassurance was requested from Corporate Directors that issues identified by this work were being corrected as a priority;
- ➔ ensured that the ongoing work in relation to issues on Corporate Governance, Information Governance and Risk Management, was progressing;
- ➔ considered the proposed Audit Plan of the External Auditor and reviewed any reports they have produced concerning the financial statements of the County Council;
- ➔ held separate one to one meetings with the External Auditor and the Head of Internal Audit;
- ➔ reviewed the Contract , Finance, and Property Procedure Rules of the County Council;
- ➔ considered the Treasury Management arrangements of the County Council and made recommendations for improvement to the Executive;
- ➔ reviewed the counter fraud, whistleblowing and anti-money laundering policies of the County Council;
- ➔ reviewed an Annual Report from the Head of Internal Audit expressing his opinion on the overall controls operating within the County Council. This report also highlighted the significant breaches of Procedure Rules found by Veritau* during the year and the steps taken by management to address them; and
- ➔ agreed the Statement of Final Accounts submitted by the Corporate Director – Finance and Central Services following robust challenge of the accountancy principles adopted.

6.2 In addition the Audit Committee has

- ➔ undertaken a reassessment of the operation of the Audit Committee itself to ensure it complies to the best practice recommended by CIPFA;
- ➔ undertaken a review of the effectiveness of the County Council's system of internal audit as required by the Accounts and Audit Regulations 2006;
- ➔ reviewed the Terms of the Internal Audit Service (as provided by Veritau*);
- ➔ driven progress towards developing an Information Governance Framework for the County Council and considered performance in dealing with Freedom of Information requests within the statutory deadline; and
- ➔ undertaken an assessment of compliance with the CIPFA Statement on the **Role of the Chief Financial Officer in Local Government (2010)**.

6.3 All this work has been used in supporting the preparation of the County Council's Annual Governance Statement for 2009/10.

* see note in **paragraph 3.2 (b)** above

7.0 SIGNIFICANT GOVERNANCE ISSUES

7.1 The system of internal control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, that material errors or irregularities are either prevented or would be detected within a timely period and that significant risks impacting on the achievement of the County Council's objectives have been mitigated.

7.2 On the basis of the review work carried out it was considered that the majority of the internal control arrangements were operating adequately in the financial year 2009/10. **There were, however, some areas identified which require attention to address weaknesses and ensure continuous improvement of the system of internal control.** Having regard to the published guidance on internal control matters, these are disclosed in the table below; for the sake of completeness, the latest position on issues identified in the Annual Governance Statement for 2008/09 that were not fully resolved in 2009/10 or represent ongoing risks are also included.

7.3 Issues identified in the Annual Governance Statement for 2008/09 that are still ongoing.

| Ref | Issue requiring improvement | Action taken to date / planned 2010/11 |
|-----|---|---|
| A1 | Partnership Governance – continuation of work to establish comprehensive governance arrangements | <p>Following reviews of the current arrangements by the Executive and Audit Committee during 2009/10 work is underway to</p> <ul style="list-style-type: none"> • establish comprehensive monitoring / reporting arrangements that are consistent across all Directorates and to Members • draft necessary changes to Financial Procedure Rules and Officers Scheme of Delegation to provide a robust governance framework • consider extending the above to cover Accountable Body arrangements |
| A2 | Service Continuity Planning – complete the development and testing of a comprehensive suite of Service Continuity Plans | <p>The Civil Contingency Act 2004 places a requirement on the County Council to have in place a set of internal SCP arrangements. A Corporate SCP Policy to be approved in 2010/11.</p> <p>Based on the results of Business Impact Analysis work a suite of service based plans has been developed that now need to be tested. In addition certain generic issues (eg ICT resilience, availability of buildings) need to be addressed to support, on a corporate basis, the service based plans.</p> |

| Ref | Issue requiring improvement | Action taken to date / planned 2010/11 |
|-----------|--|--|
| A3 | Asset management – to get all capital projects to adopt the Gateway based capital project management process | <p>The Gateway project management process is developed in software terms. It is necessary to link this to the PMCS/fee invoicing systems used by Jacobs UK (property consultants). Adoption of the Gateway process by Project Leaders requires confidence in the Jacobs UK system and vice versa.</p> <p>The split of the Capital Plan into a Capital Programme (schemes under construction) and Capital Framework (schemes in preparation) is linked to the above – its adoption pro tem has already reduced the volume of capital slippage previously experienced with the Capital Plan system</p> |
| A4 | Waste Management Procurement | <p>The procurement stage of the PFI project is progressing. Key tasks that lie ahead include -</p> <ul style="list-style-type: none"> • regular liaison with DEFRA / WIDP and related government PFI advisers • delivery of procurement in line with project plan • ongoing review of project resources required to deliver the project • submission of planning application • regular progression of issues with preferred bidder, liaison with Communications Unit |
| A5 | Information Governance Framework (IGF) | <p>The Corporate Information Officer Group has been reconstituted (CICG2) and the IGF approved by Management Board.</p> <p>An effective roll-out plan and drafting of further policies will now be pursued by CIGG2.</p> <p>Appropriate ISO accreditation will also be sought.</p> |
| A6 | Medium Term Financial Strategy | <p>The MTFs for the period 2010/13 already reflects the need for VFM and other revenue reductions in order to “balance the books”.</p> <p>Following the General Election, it is expected that significant reductions in public expenditure will be necessary to address the national financial problem.</p> <p>Depending on the extent of the impact on NYCC, it is probable that a full scale review of service provision, etc, will be required in the face of likely, and significant, funding reductions.</p> |

| Ref | Issue requiring improvement | Action taken to date / planned 2010/11 |
|-----|---|--|
| A7 | Change and Improvement Agenda (corporate aspects) | <p>Review nature and level of support required to assist in achieving savings plans, including business improvement, ICT, web, HR, project management, staff training, communications and other related functions.</p> <ul style="list-style-type: none"> • lead on cross-cutting areas of change / improvement work including – • NY Online – expanding use of website and intranet • HR and other related support to plan and influence workforce changes • further promotion of mobile working • Implementation of integration technology (STIC) to automate work processes • benchmarking of services with others to help assess VFM • reductions in business mileage and energy consumption |
| A8 | Safeguarding arrangements for children | <p>Since the crisis in Haringey over the death of Baby Peter all authorities and other agencies working with children, including North Yorkshire, have needed to respond to the challenge of increased expectations on all aspects of safeguarding</p> <p>The increase in child placements and the necessity of enhancing social work provision for assessment and safeguarding have created very significant budgetary requirements.</p> <p>The need to make progress in these areas was also reflected in the recommendations from two Inspections, during 2010, even though North Yorkshire's inspection judgements were better than the majority for other authorities whose inspections were carried out in the same period.</p> <p>The recommendations led to the preparation and approval of a detailed Post Inspection Project Plan which is the subject of regular review by an Officer Project Board, chaired by the Corporate Director, with regular reports to Executive Members.</p> <p>The Plan also incorporates the completion of the Recovery Plan for the Integrated Computer System – Protocol.</p> |

| Ref | Issue requiring improvement | Action taken to date / planned 2010/11 |
|-----|--|--|
| A9 | Direct payments to Social care clients | The service has now been restructured and repositioned with payroll services now provided direct to the client from the private sector By the end of April the vast majority of existing Direct Payment recipients will have secured alternative arrangements by transferring their payroll requirements to an external provider. |

6.4 New issues arising from the internal control review process during 2009/10 are as follows -

| Ref | Issue requiring improvement or of potential concern | Actions planned |
|-----|--|--|
| B1 | Demand outstrips budget provision for adult social care | ACS has developed a resource predictive model based on nationally approved population, demographic trend analysis - Poppi & Pansi. These have been used to reflect the pattern of services which could typically occur and be experienced within the County. Based on this model it is estimated that the cost could be in the order of £4m per year for the foreseeable future (an additional 600 clients). The challenge will be to meet these demographic pressures and service user expectations in the context of reducing resources. |
| B2 | Highways maintenance The County Council road network has suffered significant damage as a result of recent severe winter weather. | In response it is intended to - <ul style="list-style-type: none"> • utilise the additional one-off funding allocated by the County Council to address prioritised emergency repairs • re-prioritise the allocation of all Highway funding relative to risk in order to best address the sudden deterioration in carriageway condition. |
| B3 | Review of the County Council's Constitution | Undertake a review in consultation with officers, Members and Constitution Working Group, with a view to presenting revisions for County Council approval in May 2010, and at subsequent meetings as necessary. |

| Ref | Issue requiring improvement or of potential concern | Actions planned |
|-----|---|--|
| B4 | Delivering the 14-19 Agenda | <p>The responsibility for the strategic planning of 14-19 provision transfers to NYCC from the former Learning & Skills Council (LSC) on 1st April 2010.</p> <p>The Directorate has responded to this requirement by:-</p> <ul style="list-style-type: none"> - preparing a strategic 14-19 Plan - developing, as required, close working relationship with all neighbouring authorities - reviewing the structure for a new commissioning team - developing revised funding arrangements to reflect the revised respective responsibilities of the authority as commissioner and the Area Consortia of schools, colleges and other providers who, working in collaboration, have the responsibility for the delivery of the agenda locally <p>The challenge in 2010/11 is to implement fully the new arrangements, consolidating the strategic planning arrangements and refining funding methodologies.</p> |
| B5 | Corporate ICT Strategy | <p>A revised corporate ICT Strategy has been drafted and considered by Management Board.</p> <p>However, events in the latter half of 2009/10 (primarily the worsening economic situation) have highlighted the need to produce a prioritised Action Plan that is matched to resources.</p> <p>The intention is to produce a Strategy reflecting revised needs / priorities and matched to resources during 2010/11.</p> |

8.0 SUMMARY

- 8.1 The internal control framework operating during 2009/10 is considered to have provided reasonable and objective assurance that significant risks impacting on the achievement of the County Council's principal objectives would be identified and actions taken to avoid or mitigate their impact.

8.2 Some issues have, however, been identified and these are set out in **Section 7** above.

8.3 There is a need to continually review and improve control systems, and further improvements have been identified for the coming year.

9.0 SIGNATURES

9.1 We, the undersigned, accept primary responsibility for the content of this Annual Governance Statement and will over the coming year, take steps to address the matters identified in Section 6 of this Statement to further enhance the governance arrangements of the County Council. We are satisfied that these steps will address the need for improvements that were identified in the review of effectiveness and will monitor their implementation and operation as part of the next annual review.

Signed:

.....
Cllr John Weighell
Leader of the County Council

Date:

.....
Carole Dunn
Assistant Chief Executive
(Legal and Democratic Services)
(Monitoring Officer)

.....
John Moore
Acting Head of Paid Service and
Corporate Director – Finance and
Central Services (Section 151 Officer)

Date:

Date:

9.2 I confirm that the Audit Committee (meeting on the 29 June 2010) was satisfied, on the basis of the information available to it, that the Annual Governance Statement 2009/10 which is required, under the Regulations governing the audit of local government accounts, to accompany the Statement of Final Accounts, has been prepared and approved after due and careful enquiry.

.....
Cllr Roger Harrison-Topham
Chairman of the Audit Committee

Date: 29 June 2010

GLOSSARY OF TERMS

ABG

Area Based Grant. A general grant from Central Government to provide additional revenue funding to areas according to specific policy criteria. Replaces former LAA funding and certain other specific grants.

Accruals

The concept that income and expenditure are recognised as they are earned or incurred, not as cash is received or paid.

Actuary

An actuary is an expert on pension scheme assets and liabilities. The Local Government Pension Scheme Actuary determines the rate of employer contributions due to the Pension Fund every three years.

Amortised

Written off over a suitable period of time (usually in line with the useful life of a fixed asset). This is a proxy for depreciation for intangible assets.

Appropriations

Amounts transferred from the Income and Expenditure Account through the Statement of Movement in General Fund Balance to revenue or capital reserves.

Asset Rental Charges

The County Council charges Asset Rentals to Services in order to reflect the economic costs of the assets they use in service provision. These charges do not impact on Council Tax.

Assets

Anything which has a monetary value e.g. property, investments or cash.

Associate

An entity is an associate of a reporting authority if it has a participating interest and over whose operating and financial policies the reporting authority is able to exercise significant influence.

AVC

Additional Voluntary Contributions.

Benchmark

A measure against which investment performance is assessed. The benchmark may take the form of a "market index" where performance is measured by comparison with a particular market or where measurement is against an average established by reference to the performance of a peer group or league table.

Bid Price

In the context of stock trading on a stock exchange, the bid price is the highest price a buyer of a stock is willing to pay for a share of that given stock.

Bond

A type of investment where cash is exchanged for a certificate of debt issued by the government or company, promising regular payment on a specified date, or range of dates, usually involving a final lump sum capital payment at the time the bond is given up by the investor.

Budget

A statement of the County Council's expected level of service and spending over a set period, usually one year.

BVACOP

Best Value Accounting Code of Practice.

Callable Deposit

Deposit with a bank or building society for an agreed term but where the bank has the option of repaying the full amount at set intervals. For example, a 3 year deposit with 6 monthly calls.

Capital Expenditure

Expenditure on the acquisition of a fixed asset or expenditure which adds to, or enhances, the life or value of an existing fixed asset.

Capital Financing

Funds used to pay for capital expenditure. These funds can come from both external and internal sources.

Capital Plan

The proposed budget for capital expenditure and funding for the County Council.

Capital Receipts

Proceeds from the sale of fixed assets. These are used to finance new capital expenditure.

Carrying Amount

The amount at which an asset is recognised in the Balance Sheet.

CFR

Capital Financing Requirement.

CIPFA

The Chartered Institute of Public Finance and Accountancy is the lead accountancy body for the Public Sector on accounting practice and the preparation of local authority Accounts.

Consolidation

The process of adjusting and combining financial information from the individual financial statements of a reporting authority and its subsidiaries. The overall aim is to prepare consolidated financial statements that present financial information for the group as a single entity.

Contingencies

Sums set aside to meet either the potential costs of activities expected to occur during the year, over and above those costs included in the services budget (pay and price), or items which are difficult to predict in terms of financial impact or timing (uncertain items).

Corporate Governance

The authoritative rules and controls in place within an organisation required to promote openness, inclusivity, integrity and accountability.

Council Tax

The means of raising money locally to pay for local authority services. This is a property based tax where the amount levied depends on the valuation of each dwelling.

Credit Rating

A published ranking, based on detailed financial analysis by a credit bureau, of an organisation's financial history, specifically relating to an organisation's ability to meet its debt obligations.

Creditors

Amounts owed by the County Council for goods or services that it has received but for which payment had not been made by 31st March 2010.

Current Assets and Liabilities

Current assets are items that are owed to County Council and can be readily converted into cash. Current liabilities are items that are due for payment immediately or in the short term.

Current Service Cost (FRS 17 Term)

Employer pension contributions charged during the year have been removed from the Income and Expenditure Account and replaced with an amount (i.e. current service cost) which reflects the increase in the scheme liabilities expected to arise from employee membership of the scheme in the year of account.

DCLG

Department of Communities and Local Government.

Debtors

Amounts owed to the County Council at 31st March 2010 where services have been delivered but payment has not been received.

Revenue Expenditure funded from Capital under Statute

Expenditure which may be properly capitalised, but which does not result in the creation of any fixed asset.

Delegated Budgets

Budgets for which schools and other services have complete autonomy in spending decisions.

Depreciation

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

DfE

Department for Education.

DSG

Dedicated Schools Grant. A ring-fenced grant which can only be applied to expenditure properly included in the Schools budget.

Earmarked Reserves

These reserves represent monies set aside that can only be used for a specific purpose.

Expected Return on Assets (FRS 17 Term)

The average rate of return expected on the actual assets held by the Local Government Pension Fund.

Fair Value

A rational and unbiased estimate of the potential market price of a good, service or asset.

Finance Leases

Under a finance lease agreement, most of the risks and rewards associated with ownership are transferred to the lessee.

Fixed Assets

Tangible assets that yield benefits to the authority and the services it provides for a period of more than one year.

FRS

Financial Reporting Standards. Advice on best practice over a number of areas in accounting.

GAAP

Generally Accepted Accounting Practice.

Government Grants

Revenue grants and contributions are credited to the appropriate service Revenue Account. Capital grants and contributions are credited to the capital grants deferred account.

ICT

Information and Communications Technology.

IFRIC

Interpretations originated from the International Financial Reporting Interpretations Committee.

IFRS

International Financial Reporting Standards. Guidelines and rules set by the International Accounting Standards Board (IASB) that companies and organisations can follow when compiling financial statements.

Impairment

The worsening of an asset, through damage, dilapidation etc, which affects the value of that asset.

Income

Amounts which the County Council receives, or expects to receive, from any source. Income includes fees, charges, sales, capital receipts, government grants, the precept on Council Tax collection funds, Revenue Support Grant and National Non-Domestic Rate.

Income in Advance

Amounts received by the County Council during 2008/09 relating to services to be delivered in 2009/10.

Intangible Assets

Assets that do not have physical substance but are identified and are controlled by the County Council through custody or legal rights.

Interest Cost (FRS 17 Term)

A financing charge reflecting the increases in the present value of Pension Fund scheme liabilities.

Investments

Short term investments comprise of deposits of temporary surplus funds with banks or similar institutions.

ISB

Individual School Budgets.

ISP

Internet Service Provider.

Joint Venture

An entity in which the reporting authority has an interest on a long term basis and is jointly controlled by the reporting authority and one or more entities under a contractual or other binding arrangement.

LAA

Local Area Agreement. A partnership with other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services.

LAAP

Local Authority Accounting Panel. Bulletins issued by CIPFA to provide guidance on topical issues and accounting developments and when appropriate provide clarification on the detailed accounting requirements.

LAA-PRG

Local Area Agreement Performance Reward Grant.

LABGI

Local Authority Business Growth Incentive.

LASAAC

Local Authorities (Scotland) Accounts Advisory Committee.

LATS

Landfill Allowances Trading Scheme.

LGPS

Local Government Pension Scheme.

LIBOR

The London Interbank Offered Rate. A daily reference rate based on the interest rates at which banks borrow unsecured funds from other banks in the London wholesale money.

LOBO

Lender Option Borrower Option. Financial instrument used to borrow from the money market such loans feature on initial fixed interest period followed by a specified series of calls where the lender has the option to request an interest rate increase. The borrower has the option of repaying the loan (at no penalty) or accepting the higher rate.

LPSA

Local Public Service Agreement.

LSP

Local Strategic Partnership. A non-statutory, multi-agency partnership, which matches a local authority boundary, and includes representatives from the public, private, community and voluntary sector.

LMS

Local Management of Schools.

Long Term Borrowing

Long term borrowing is loans that have been raised to finance capital expenditure.

Market Value

The monetary value of an asset as determined by current market conditions.

Mid-market price

The mid-point between the bid price and the offer price for a security based on quotations for transactions of normal market size by recognised market-makers or recognised trading exchanges.

Minimum Revenue Provision

The statutory minimum amount that must be charged to a Revenue Account in each financial year to repay external debt.

Minority Interest

The interest in a subsidiary entity that is attributable to the share held by, or on behalf of persons other than the reporting authority.

National Non-Domestic Rate

The Government levies a standard rate on all properties used for commercial purposes. The rates are collected on behalf of the government by District Councils, and then redistributed nationally on the basis of resident population.

Net Book Value

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

Net Current Replacement Cost

The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

Net Debt

This comprises cash in hand, cash overdrawn, short term investments and long term borrowing.

Net Realisable Value

The open market value of the asset in its existing use (or open market value in the case of non operational assets) less the expenses to be incurred in realising the asset.

NHS

National Health Service.

NJC

National Joint Council.

Non-operational assets

Fixed assets held by the Council but not directly occupied, used or consumed in the delivery of services, or the service or strategic objectives of the Authority e.g. Investment Properties, surplus assets held for disposal and assets under construction.

NYBEP

North Yorkshire Business and Education Partnership.

NYnet Limited

A company providing broadband connectivity within North Yorkshire.

Operational Assets

Fixed assets held and occupied, used or consumed by the County Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

Past Service Cost (FRS 17 Term)

The increase in Pension Fund liabilities arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

PCT

Primary Care Trust.

PFI

Private Finance Initiative. A means of securing new assets and associated services in partnership with the private sector.

Portfolio

A block of assets managed by a fund manager, to an agreed performance specification, on behalf of an investor.

Precept

The amount of money the County Council has to levy on Council Tax payers (via district collection funds) to pay for County Council services.

Prepayments

Amounts paid by the County Council in 2009/10 that relates to goods and services not received until 2010/11.

Provisions

Provisions represent sums set aside for any liabilities of uncertain amount or timing that have been incurred.

PWLB

Public Works Loan Board. The Government agency set up to provide loans to Local Authorities to finance capital expenditure.

REFCUS

Revenue Expenditure Funded by Capital Under Statute.

REOTAS

Reintegration in Education other than in Schools.

Reserves

There are two types of reserve, those available to meet current expenditure, and those that are to cover anticipated events which will give rise to costs. Most revenue reserves are capable of being used, but the Revaluation Reserve and the Capital Adjustment Account cannot be used to meet expenditure.

Revenue Expenditure

Revenue expenditure is spending on the day to day running costs of the County Council. It includes expenditure on employees, premises, transport and supplies and services.

RICS

Royal Institution of Chartered Surveyors.

RSG

Revenue Support Grant. Central Government grant support towards local government expenditure.

SSAP

Statement of Standard Accounting Practice.

Section 151 Officer

The Officer designated to assume overall responsibility for the administration of the financial affairs of the County Council and for the preparation of the Council's Statement of Accounts.

Settlements and Curtailments (FRS 17 Term)

Settlements and liabilities settled at a cost materially different to the FRS 17 reserve during the year. Curtailments represent the cost arising from early payment of accrued pensions in respect of any redundancies during the year.

Simple Investment

The reporting authority's interest does not qualify the entity as a subsidiary, associate or a joint venture because the reporting authority has limited influence or its interest is not long term.

SIF

Special Investment Fund.

SIP

Statement of Investment Principles.

SORP

Statement of Recommended Practice.

SSAP

Statement of Standard Accounting Practice.

Subsidiary

An entity is a subsidiary of a reporting authority if the authority is able to exercise control over the operating and financial policies of the entity and is able to gain benefits / be exposed to risk of potential losses from this control.

Term Deposit

A deposit held in a financial institution for a fixed term at a fixed rate.

TMP

Treasury Management Practices.

TMPS

Treasury Management Policy Statement.

VAT

Value Added Tax.

Veritau Limited

A company providing Internal Audit, Counter fraud and Information Governance Services.

Work in Progress

The value of rechargeable work which has not been recharged at the end of the financial year.

YDHTP

Yorkshire Dales and Harrogate Tourism Partnership.

Yorwaste Limited

A subsidiary waste disposal company.

YPO

Yorkshire Purchasing Organisation.