

Appendix 1

CATALOGUE SUPPLIES JOINT COMMITTEE

COUNTY BOROUGH SUPPLIES

STATEMENT OF ACCOUNTS

2007/08



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Explanatory Foreword

Financial Statements

The Joint Committee's Statement of Accounts consists of:

- a) a statement of responsibility for the statement of accounts;
- b) a statement of accounting policies;
- c) a trading account, which summarises its income and expenditure for the year;
- d) a balance sheet, which summarises its assets and liabilities at the year end;
- e) a cash flow statement, which summarises the cash receipts and payments on both capital and revenue activities for the year.

These are preceded by an analysis of the financial performance in the year.

Analysis of Financial Performance

At its 26th October 2006 meeting, the Joint Committee prepared a budget for County Borough Supplies for its revenue expenditure for the 2007/2008 financial year. The following table compares the original budget with the actual performance and shows the variations that have occurred. Brackets indicate income or a decrease in expenditure.

	Budget	Actual	Variance
	£000	£000	£000
Income			
Catalogue Sales (net)	(1126)	(1016)	110
Other income	(450)	(699)	(249)
Total Income	(1576)	(1715)	(139)
Expenditure			
Employees	997	946	(51)
Premises	84	87	3
Transport	90	79	(11)
Supplies & Services	325	441	116
Third Party Payments	20	0	(20)
Support Services	45	32	(13)
Finance Charges	10	8	(2)
Reduction in Bad Debt Provision		(13)	(13)
Increase in Stock Obsolescence Provision	5	5	0
Total Expenditure	1576	1585	9
SURPLUS	0	(130)	(130)

The accounts of the Catalogue Supplies Joint Committee show that 2007/2008, its twelfth year of trading, has produced a surplus of **£129,818**.

The under-spend compared with budget was due to a combination of **reductions** in the following **expenditure headings**

- **employees**, where vacancies were left unfilled until service demand justified their filling;
- **third party payments**, as a result of reclassifying agency drivers, which were previously under this heading, under employees
- the **support service** charge, caused by a change in the basis of calculation (see note 2 to the accounts for detail);
- **finance charges**, due largely to the reduction in interest rates
- **bad debt provision**,

and an increase in

- **supplies and services** where the early completion of the 2008/09 joint catalogue produced additional expenditure and a corresponding increase in other income shown below.

There were also variations on **income** comprised of a **decrease** in

- **net trading income** of £110k due to market conditions

and a corresponding **increase** in

- **other income** due to a retro rebate of £82k for energy which had not been included in the original budget and income from the early completion of the 2008/09 catalogue.

The level of sales increased by 2.13% from £5.247m to £5.359m, which was a slight reduction in real terms on the previous year's level.

Gross margins of 18.96% were lower than the 19.7% in 2006/07 as they were restricted to absorb some inflationary price increases. Other indicators of performance of interest are shown below.

The future loss of non-trading income from energy rebates and its effect on profitability, together with a fast changing competitive procurement environment, which has brought about casualties in organizations similar to County Supplies, has been instrumental in the commissioning of an independent service review to be undertaken by APSE (The Association of Public Service Excellence) on the future development of the County Supplies Service.

Stock Days

The average number of days a stock item was held increased from 42 days to 48 days.¹

The increase reflects primarily an increased stockholding of exercise books which were pre-ordered to avoid a known price increase.

Debtor Days

The average number of days for which a debt is outstanding has increased compared to the previous year. The increase is from 39 days in 2006/07 to 40 days in 2007/08.²

As a measure of activity, the number of active customers served was 3,450 and the number of transactions during the year was 272,611 from 41,968 orders. In comparison, in 2006/07, the number of customers served was 3,536 and the number of transactions during the year was 271,838 from 42,081 orders.

1	<u>Stocks</u>	x	365
	Cost of Sales		

2	<u>Debtors</u>	x	365
	Sales		

Statement of Responsibilities for the Statement of Accounts

The Joint Committee's Responsibilities

The Joint Committee is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs in accordance with Section 151 of the Local Government Act 1972. In this joint committee, at the time of approval of Accounts, that officer is the Committee's Treasurer - the Corporate Director - Resources, Bridgend County Borough Council.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts

The Treasurer's Responsibilities

The Treasurer (Corporate Director – Resources, Bridgend CBC) is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice'). The Statement of Accounts is required to present fairly the financial position of the Joint Committee at the accounting date and its income and expenditure for the year then ended.

In preparing this Statement of Accounts, the Corporate Director - Resources, Bridgend CBC has:

- selected suitable accounting policies and then applied them consistently
- made judgments and estimates that were reasonable and prudent
- complied with the Code of Practice

The Corporate Director - Resources, Bridgend CBC has also:

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

Gareth Moss, BA (Hons), CPFA
Corporate Director - Resources
Bridgend County Borough Council
16th June, 2008

Statement of Accounting Policies

General Policies

The accounts have been drawn up in accordance with the Code of Practice on Local Authority Accounting, which is recognised by statute as representing proper accounting policies.

Accrual of Income and Expenditure

Income and expenditure are included within these accounts on the accruals basis.

Stock and Work in Progress

Stocks and stores have been included in the accounts at the average purchase price. This policy is in accordance with the Statement of Standard Accounting Practice 9 (Stocks and Long Term Contracts), which requires valuation at the lower of cost or net realizable value. A review of stock and market prices has found that no material changes have occurred. A provision is held in the accounts to provide for items identified as obsolete.

Allocation of Support Services

The charge for support services includes Information Technology, Legal, Committees, Cash Receipting, Payments, Audit and Accountancy.

Employees and Pensions Costs

The County Borough Supplies Service employs no staff directly. Staff are employed by the Service's stakeholder organizations (principally Bridgend County Borough Council- see note 4 to the financial statements), and their costs are recharged. Staff participate in the ex Mid-Glamorgan County Council Fund administered by Rhondda Cynon Taf County Borough Council. The pension costs that are charged to the accounts in respect of its staff are equal to the contributions paid to the funded pension scheme for these employees.

Financing Charges

These are calculated on the average cash balance for the year and represent an interest charge at base rate plus 1%, which varied between 6.25 % and 6.75%, for the overdrawn balance financed by the host authority.

Core Financial Statements

2007/08

Trading and Income and Expenditure Account for the year ended 31st March 2008

2006/2007			2007/2008		Note
£000	£000		£000	£000	
	<u>5,247</u>	Sales		<u>5,359</u>	
		Cost of Sales:			
(455)		Opening Stock	(489)		
(4,246)		Plus Purchases	(4,424)		
<u>489</u>	<u>(4,212)</u>	Less Closing Stock	<u>570</u>	<u>(4,343)</u>	
	1,035			1,016	
	<u>544</u>	Other Income		<u>699</u>	(7)
	1,579			1,715	
		Expenditure:			
(917)		Staff Costs	(946)		(1, 5)
(85)		Premises	(87)		
(95)		Transport	(79)		
(367)		Supplies & Services	(441)		(6)
(6)		Third Party Payments	0		
(31)		Support Services	(32)		(2)
(8)		Financing Charges	(8)		(3)
(5)		Stock Obsolescence Prov'n	(5)		
<u>(14)</u>	<u>(1,528)</u>	Bad Debt Provision	<u>13</u>	<u>(1,585)</u>	(9)
	51	Surplus for the year		130	

Statement of the Movement on the Surplus of the Income and Expenditure Account for the year ended 31st March 2008

£000		£000	Note
343	Surplus/(Deficit) for the year on the Income and Expenditure Account	130	
51	Accumulated Balance Brought Forward	352	
(42)	Purchase of Vehicles	-	
352	Income and Expenditure Account Balance Carried Forward	482	

Balance Sheet as at 31st March 2008

31 st March, 2007		31 st March, 2008		Note
£000	£000	£000	£000	
		Current Assets		
1,074		Debtors	1,256	(8)
(14)		Less Provision for Doubtful Debts	(1)	(9)
	1,060		1,255	
489		Stock	570	
(22)		Less Provision for Obsolescence	(13)	(10)
	<u>467</u>		<u>557</u>	
	1,527	Total Assets	1,812	
		Less current liabilities		
	(626)	Creditors	(665)	(11)
	(520)	Cash Overdrawn	(636)	
	<u>381</u>	Net Assets	<u>511</u>	
		Financed by:-		
	352	Accumulated Surplus	482	
	29	Reserve for Plant and Equipment	29	(12)
	<u>381</u>		<u>511</u>	

Cash Flow Statement 2007/2008

2006/2007		2007/2008	Note
£000		£000	
	Revenue Activities		
	Expenditure		
(917)	Cash paid to or on behalf of employees	(945)	
(8)	Servicing of Finance	(8)	
<u>(5,682)</u>	Other operating costs	<u>(6109)</u>	
6,607		7062	
	Income		
<u>6,511</u>	Cash received for goods and services	<u>6946</u>	
<u>(96)</u>	Net(Decrease)/ Increase in cash	<u>(116)</u>	(15), (16), & (17)

Certification of Accounts

Statement of Accounts 2007/2008

Catalogue Supplies Service Joint-Committee

County Borough Supplies

Treasurer's Certificate

I certify that the accounts set out in Pages 6 to 8 present fairly the financial position of the Committee as at 31st March 2008

Signed

Gareth Moss BA (Hons) C PFA

Corporate Director – Resources, Bridgend County Borough Council

Treasurer to the Catalogue Supplies Service Joint Committee

Dated.....

Joint Committee's Certificate

The Statement of Accounts of Catalogue Supplies Joint Committee at 31st March 2008 was approved by the Committee on 26th June, 2008

Signed

Chairperson of Joint Committee

Dated

Notes to the Accounts

1 **Officers' Emoluments**

The Accounts and Audit Regulations (Wales) 2005 require the starting point to be £60,000 for this disclosure. There are no staff members whose gross pay exceeds this figure.

2 **Support Services**

The charges are as follows: -

	2006/2007	2007/2008
	£	£
Computer Charge	4,927	5,075
Creditors / Payroll	4,713	4,857
Accounts	14,353	14,784
Internal Audit	2,405	2,475
Legal Services	110	111
Facilities Management	603	622
Human Resources	3,838	3,951
Procurement	49	49
TOTAL	30,998	31,924

3 **Financing Charges**

These are calculated on the average cash balance at month end, at the average Bank of England base rate plus 1%, which varied between 6.25% and 6.75% during the year.

4 **Related Party Transactions**

There are no material transactions that are not disclosed in the accounts.

Membership of the Committee is composed of two members each from: -

Bridgend.C.B.C.
 Caerphilly C.B.C.
 Merthyr Tydfil C.B.C.
 Rhondda Cynon Taf C.B.C.

Bridgend County Borough Council acts as the host authority for support services, including accounting and banking services.

The Rhondda Cynon Taf County Council Superannuation Fund is used for pension services.

As at 31 March 2008, the following permanent staff were employed, who had been seconded on local government re-organization in 1996 from:-

2006/072007/08£000£000

2	Bridgend C.B.C.
3	Caerphilly C.B.C.
4	Rhondda Cynon Taf C.B.C.

2
3
4

There are 35 staff (35 also in 2006/07) in addition to this, who were subsequently employed by Bridgend.C.B.C and there is a full time equivalent of 2.5 staff employed from agencies.

Some members and officers may act as school governors for schools with which the organization trades.

5 Pension Costs

The actual amount charged to the revenue accounts for pensions included under employees was £129,591.

6 Other Income

Entitlement to retro rebates for energy ceased in October 2007 but include a £82k payment for gas for previous years.

7 The **debtor** balance consists of the following categories –

2006/072007/08£000£000

336	Reserved debtors for trading activities
<u>738</u>	Sundry Debtors
<u>1,074</u>	Total

135
1,121
1,256

8 The **provision for bad and doubtful debts** has been calculated to include all debt older than one year at percentages dependant on time outstanding. This is regarded as adequate to cover all long-standing debt and a proportion of recent debt, which is generally collected in total within six weeks.

2006/072007/08£000£000

(0)	Movements during the year
0	Opening Balance
0	Write-offs
<u>(14)</u>	(Increase)/Decrease in provision from revenue
<u>(14)</u>	Closing Balance

(14)
0
13
(1)

9 The **provision for stock obsolescence** has been created amounting to £22,039 to provide for items of stock identified as slow moving or obsolete.

2006/072007/08£000£000

(17)	Movements during the year
0	Opening Balance
0	Write-offs
<u>(5)</u>	Increased contribution from revenue
<u>(22)</u>	Closing Balance

(22)
14
(5)
(13)

10 The **creditor** balance consists of the following categories –

<u>2006/07</u>		<u>2007/08</u>
<u>£000</u>		<u>£000</u>
27	Customer Accounts in Credit	26
113	Reserved Creditors	195
421	Sundry Creditors	354
<u>65</u>	H.M. Customs and Excise – V.A.T.	<u>90</u>
<u>626</u>	Total	<u>665</u>

11 The movement in the **reserve for plant and equipment** is as follows –

<u>2006/07</u>		<u>2007/08</u>
<u>£000</u>		<u>£000</u>
34	Balance Brought Forward	29
<u>(5)</u>	Use of Reserve for Computer System Enhancement Purchase	<u>0</u>
<u>29</u>	Balance Carried Forward	<u>29</u>

12 The movements on the **accumulated surplus account** are as follows -

<u>2006/07</u>		<u>2007/08</u>
<u>£000</u>		<u>£000</u>
343	Balance Brought Forward	352
51	Surplus for the year	130
<u>(42)</u>	Purchase of Vehicles	<u>0</u>
<u>352</u>	Balance Carried Forward	<u>482</u>

13 The **movement in total reserves** is as follows

<u>2006/07</u>		<u>2007/08</u>
<u>£000</u>		<u>£000</u>
377	Balances Brought Forward	381
(47)	Application for purchases	(0)
<u>51</u>	Surplus	<u>130</u>
<u>381</u>	Balance Carried Forward	<u>511</u>

14 **Reconciliation of Revenue Account to Revenue Activities**

<u>2006/07</u>		<u>2007/08</u>
<u>£000</u>		<u>£000</u>
51	Surplus on Revenue Account	130
(47)	Transfer from Reserve	(0)
	Plus/(less) Movement in relevant Balance Sheet items:-	
(215)	(Increase)/Decrease in Debtors/Provisions	(195)
(29)	(Increase)/Decrease in Stock/Provision	(90)
<u>144</u>	Increase in Creditors	<u>39</u>
<u>96</u>	Cash Inflow/(Outflow) from Operating Activities	<u>(116)</u>

15 **Analysis of Changes in Cash during the Year**

	Balance b/f	Balance c/f	Change during the year
	£000	£000	£000
Cash /(Overdrawn)	(520)	(636)	(116)

16 **Cash** is held by the Bridgend BCBC, the financial services provider as part of its general bank account. No separate bank account exists for County Borough Supplies.

Glossary of Terms

Accrual

An accrual is a sum shown in the accounts representing income or expenditure for the accounting period but which was not actually received or paid as at the date of the balance sheet.

Actuary

An actuary is a person who works out insurance and pension premiums, taking into account factors such as life expectancy.

Agency services

Agency services are services provided for us by an outside organization.

Amortisation

Reduction in value of capital expenditure, which has not created an asset, through charges to revenue.

Audit

An audit is an independent examination of the Council's accounts.

Balance Sheet

This is a statement of our assets, liabilities and other balances at the date of the end of the accounting period.

Best Value Accounting Code of Practice (BVACOP)

The Best Value Accounting Code of Practice modernises the system of Local Authority accounting and reporting to ensure it meets the needs of modern local government, in particular the duty to secure and demonstrate Best Value in the provision of services to the community.

Budget

A budget (or estimate) is a plan of income and spending, based upon which council tax is set. Actual expenditure and income is subsequently monitored against this plan.

Capital expenditure

Capital expenditure is spending on fixed assets. These are assets that will be used for several years in the provision of services and are items such as buildings, equipment and vehicles.

Capital Adjustment Account

This is money set aside in the Council's accounts for capital spending and to repay loans.

Capital receipt

Capital receipts are proceeds from the sale of fixed assets such as land or buildings.

Cash flow Statement

This is a statement that summarizes the movements in cash during the year.

Balance Sheet

The balance sheet combines the assets, liabilities and other balances of all our services, at the end of the financial year, 31st March.

Contingent liabilities

A Contingent Liability is a possible obligation that arises from past events and whose existence will be confirmed by the occurrence of uncertain future events.

Corporate and Democratic Core (CDC)

CDC is a service defined by the Best Value Accounting Code of Practice representing costs relating to Member activity (Democratic Representation and Management) and costs that provide the infrastructure to ensure that services can be provided (Corporate Management).

Creditor

A creditor is an organization / someone owed money by the Council at the end of the financial year for goods / services received during the financial year or previous years.

Current assets

These are short-term assets that are available for the Council to use in the following accounting year.

Current liabilities

These are short-term liabilities that are due for payment by the Council in the following accounting year.

Debtor

A debtor is an organization / someone who owed the Council money at the end of the financial year for goods / services received during the financial year or previous years.

Deferred grants

The government grants deferred account represents the balance of grants applied to the financing of fixed assets awaiting amortization to the Income and Expenditure account to match the depreciation of the relevant assets.

Depreciation

Depreciation is the estimated loss in value of fixed assets that are presented in the Balance Sheet.

Direct Service Organization (DSO)

This was a term referring to parts of the Council's own organization. It consisted of workers directly employed (including supervisory staff), accommodation, equipment etc used to carry out specified tasks for the Council.

Financial Year

This is the accounting period. For local authorities it starts on 1st April and finishes on 31st March of the following year.

Finance leases

Finance leases are used to finance purchases where the Council takes on most of the risks associated with owning the asset.

Fixed asset

These are long-term assets that are used in the provision of services (usually for more than one year).

Financial Reporting Standard (FRS)

Financial regulations to be followed as set by the Accounting Standards Board (ASB).

Government grants

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

Income and Expenditure Account

This account records day-to-day spending and income on items such as salaries and wages, running costs of services and the financing of capital expenditure.

Leasing

This is a method of financing capital expenditure by paying the owner to use property or equipment for a number of years.

Liability

A liability is an amount payable at some time in the future.

Minimum Revenue Provision (MRP)

This is an amount that has been set aside to repay loans.

Net Realisable Value

The selling price of an asset, reduced by the relevant (direct) cost of selling it.

Operating assets

These are assets used in the running / provision of services.

Operating leases

These are leases where risks of ownership of the asset remain with the owner.

Post balance sheet events

Post balance sheet items are those that arise after the Balance Sheet date. These are items that did not exist at the time the Balance Sheet was prepared but should be disclosed if they are relevant to the fair presentation of the accounts.

Precepts

This is the amount paid to a non-billing authority (for example a community council) so that it can cover its expenses (after allowing for its income).

Prior year adjustment

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors.

Provision

A provision is an amount we set aside in our accounts for expected liabilities which we cannot measure accurately.

Related party transactions

These are the transfer of assets or liabilities or the performance of services by, to or for a related party no matter whether a charge is made.

Reserves

These are the sums set aside to meet future expenditure. They may be earmarked to fund specific expenditure or be held as general reserves to fund non specific future expenditure.

Revaluation Reserve

This represents the non-distributable increase/decrease in the valuation of fixed assets.

Revenue account

This is an account which records our day to day spending and income on items such as salaries and wages, running costs of services and the financing of capital expenditure.

Statement of Standard Accounting Practice (SSAP)

Financial regulations to be followed as set by the Accounting Standards Board (ASB).

Statement of Total Recognised Gains and Losses (STRGL)

The purpose of the statement is to show all gains and losses recognised in a period, to reflect the Council's financial performance during the year.

Stocks

Stocks are raw materials purchased for day to day use. The value of these items that have not been used at the end of the financial year are shown as current assets in the balance sheet.

Work in progress (WIP)

Work in progress is the value of work undertaken on an unfinished project at the end of the financial year, which has not yet been charged to the revenue account.