

CATALOGUE SUPPLIES SERVICE JOINT COMMITTEE

COUNTY BOROUGH SUPPLIES

STATEMENT OF ACCOUNTS

2010/11



Joint Supplies Service



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Explanatory Foreword

County Borough Supplies is a Joint Committee of local authorities, established as a collaborative arrangement between the four local authorities of Bridgend, Caerphilly, Merthyr Tydfil and Rhondda Cynon Taf County Borough Councils.

County Borough Supplies provides a supplies service to local authorities, schools, charities and other public sector or non-profit making organisations.

1. Introduction To The Statement Of Accounts

The accounts for 2010/11 have been produced in line with a new Code of Practice on Local Authority Accounting in the United Kingdom (the Code) for 2010. They are in accordance with International Financial Reporting Standards.

The Joint Committee's Statement of Accounts consists of the following statements:

a) Statement of responsibilities for the Statement of Accounts

This sets out the respective responsibilities of the Joint Committee and its officers for the preparation and approval of the Statement of Accounts.

b) Annual governance statement

This statement provides a continuous review of the effectiveness of the Joint Committee's governance framework including the system of internal control and risk management systems, so as to give assurance on their effectiveness and/or to produce a management action plan to address identified weaknesses.

c) Statement of accounting policies

The purpose of this Statement is to explain the basis of the figures in the Accounts. It outlines the accounting policies that have been adopted.

d) The 'core' financial statements

1. Movement in Reserves Statement on the County Supplies Fund Balance

This statement shows the movement in the year on different reserves held by the Joint Committee. These are analysed into 'usable reserves' i.e. those that can be applied to fund expenditure and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Joint Committee's services details of which can be found in the Comprehensive Income and Expenditure Statement. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Joint Committee. This shows that the total Joint Committee fund balance has decreased by £3k.

2. The Comprehensive Income & Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, and summarises the income and expenditure incurred on the day to day running of the County Borough Supplies' activities.

For 2010/11, County Borough Supplies showed a deficit on the Comprehensive Income and Expenditure Statement of £5k. This does not however reflect the full financial position of the organisation, which is clarified by the following statement.

The revenue accounts include the cost of the modernisation activities (£39k) which the Committee had resolved would be met by reserves rather than handicapping the year's performance. The inclusion of these costs reduces the surplus for the year from £34k to a £5k deficit, but makes no difference to the accumulated surplus at the end of the year. It should be stressed that were it not for this one-off item the trading results for the year would have shown a £34k surplus

3. Balance Sheet

This shows the Joint Committee's financial position as at 31 March 2011, where the net worth was £513k. The statement summarises the Joint Committee's assets and liabilities, the balances and reserves at the Committee's disposal, its long-term indebtedness and the net current assets used in the Committee's operations. Reserves are reported in two categories. Usable reserves can be used by the Committee to provide services subject to the need to maintain a prudent level of reserves. The second category, Unusable Reserves, are not available to provide services. This includes reserves that hold timing differences.

4. Cash Flow Statement

This explains the financial position in cash terms and shows that the Committee's cash position had increased by £113k.

e) The notes to the Accounts

These are disclosures relating to the financial statements.

Analysis of Financial Performance

The actual performance for the year compared to the budget is shown in the table below:

Actual 2009/10 £000	Income	Revised Budget 2010/11 £000	Actual 2010/11 £000	Variance 2010/11 £000
(1,143)	Catalogue Sales (net)	(1,226)	(1121)	105
(192)	Other income *	(190)	(187)	3
(1,335)	Total Income	(1,416)	(1,308)	108
	Expenditure			
925	Employees	977	903	(74)
96	Premises	82	87	5
68	Transport	119	107	(12)
197	Supplies & Services	161	169	8
3	Third Party Payments	9	5	(4)
34	Support Services	36	37	1
1	Finance Charges	-	-	
3	Increase in Bad Debt Provision	2	3	1
1,327	Total Expenditure	1,386	1311	(75)
(8)	(SURPLUS)/ DEFICIT FOR YEAR	(30)	3	33

Reasons for differences between budget and spend

The financial position as at 31 March 2011 showed an over-spend on service expenditure within the year of £3k. This includes the modernisation costs of £39k which are required to be shown in the Income & Expenditure Account, but have been funded from earmarked reserves. Were it not for this one-off item the trading results for the year would have shown a £36k surplus.

Explanations for the more significant variances from budget are given below:

The more significant variances are:-

- An under-recovery in Catalogue Sales income of £105k due to anticipated growth in sales not being achieved together with higher purchase prices during the year with a consequential reduction to overall sales margins.
- A net underspend of £74k on employee's expenditure as a result of staff vacancies, no turnover/resources growth, and multiple maternities during the year.
- A net underspend of £12k on transport costs in respect of external hire, fuel costs and car allowances. The transport budget has been reprofiled to include *carrier* expenditure which had previously been included within supplies and services, printing & stationery (carriage). A budget of £30k relating to *carrier costs* was previously held within Supplies & Services.
- A net overspend of £8k on supplies and services costs. Supplies & Services expenditure includes £39k which it was agreed would be funded from earmarked reserves and not the planned Revenue Budget.

* Other income includes £29k (Contract-rebate: Fuel) not included in the Service Business Plan.

The level of gross sales increased from £5.454m in 2009/10 to £5.609m (2.85%) in 2010/11.

Gross margins of 19.99% were lower than the 20.74% in 2009/10.

The net assets of the Catalogue Supplies Service stood at £513k as at 31 March 2011 (£519k at 31 March 2010).

2. Use of Surpluses

The Joint Committee has been self-sufficient, funding itself from trading revenues for a number of years. Any surplus or deficit at the end of the financial year is transferred to a balance sheet reserve. The main purpose of the reserve is to even out variations between financial years, and, if sufficient monies are built up, to operate as a contingency to cover unforeseen items of expenditure which cannot be offset by savings elsewhere. During the year; planned modernisation expenditure of £39k was incurred, the costs of which were included in the revenue account and funded from earmarked reserve. Had these additional costs not been incurred the Committee would have made a surplus of £36k in the year.

The deficit for 2010/11 of £3k has been offset with a transfer to the reserve account.

3. Future Development

An independent service review undertaken by APSE (The Association of Public Service Excellence) on the future development of the County Supplies Service, was published during the 2008/09 financial year. Upon consideration of the review, the committee improved monitoring, confirmed the short-term future of the organisation and initiated a medium term Business Plan to identify the direction in which operations are to be developed. In November 2009 the Joint Committee approved a 5 year Business Plan for the Joint Service.

The Business Plan strategy broadly encompasses two inter-related developments:-

- (a) The extension of use of the catalogue-supply arrangements to schools in adjacent local authority areas, and
- (b) The modernisation of the Service to facilitate increased efficiency and effectiveness for the managing authorities primarily and other customer groups general.

4. Changes in Accounting Policies

For 2010/11, the Authority has moved from producing its accounts from a UK GAAP (Generally Accepted Accounting Practice) to an IFRS (International Financial Reporting Standards) basis.

5. The Impact of the Current Economic Climate on the Joint Committee

Gross sales were not obviously affected by the Current Economic Climate though it is anticipated there is potential impact during 2011/12 (and successive years), with the Service operational budget having been constructed accordingly.

6. Activity Data

Inventory Days

The average number of days a stock item was held increased from 42 days to 43 days.¹

Debtor Days

The average number of days for which a debt is outstanding has decreased compared to the previous year. The decrease is from 35 days in 2009/010 to 29 days in 2010/11.²

As a measure of activity, the number of active customers served on an establishment basis was 1856 and the number of transactions during the year was 267,656 from 46,311 orders.

By comparison, in 2009/10, the number of customers served on an individual order basis was 1,806 and the number of transactions during the year was 262,747 from 44,510 orders.

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

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

The 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. That officer for the Joint Committee is the Treasurer; who is the Assistant Chief Executive, Section 151 Officer, Bridgend County Borough Council
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

Joint Committee's Certificate

The Statement of Accounts of Catalogue Supplies Service Joint Committee as at 31 March 2011 was approved by the Committee of ** September 2011.

Signed :

Chairman of Committee

Date :

The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code), is required to give a true and fair view of the financial position of the Joint Committee at the accounting date and its income and expenditure for the year ended 31 March 2011.

In preparing this statement of accounts, the Treasurer has:

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

The Treasurer has also:

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

Treasurer's Certificate

I certify that the Statement of Accounts presents a true and fair view of the financial position of Catalogue Supplies Service Joint Committee at 31 March 2011.

Signed :

Assistant Chief Executive, Section 151 Officer

Date :

The Annual Governance Statement

1. Scope of responsibility

Catalogue Supplies Service Joint Committee 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 Committee 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. This Committee has been jointly established by Bridgend County Borough Council, Merthyr Tydfil County Borough Council, Caerphilly County Borough Council and Rhondda Cynon Taf County Borough Council. Bridgend County Borough Council acts as lead authority with responsibility for the stewardship of its financial affairs.

In discharging this overall responsibility, the Committee is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes the arrangements for the management of risk.

Bridgend County Borough Council acting in its stewardship role has not approved a single over-arching code of corporate governance, but has several policies and processes that are consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. This statement explains how the Authority has complied with the various elements of the framework and the Accounts and Audit (Wales) Regulations 2005 in relation to the publication of a statement of internal control. The Council's Annual Governance Statement is presented to the Audit Committee every year for approval. Catalogue Supplies Services Joint Committee has to produce its own Annual Governance Statement.

2. The purpose of the governance framework

The governance framework comprises the systems and processes, and cultures and values, by which the Joint Committee is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Joint Committee to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Joint Committee's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Catalogue Supplies Service Joint Committee for the year ended 31st March 2011 and up to the date of approval of the statement of accounts.

3. The Governance Environment

Bridgend CBC

Policies & Plans

An assurance gathering exercise was undertaken by Bridgend County Borough Council - which has the financial stewardship of the Joint Committee - to review how the core principles were upheld by the Authority during the year 2010/11. A summary of the policies against each core principle is detailed below:-

- i. focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area
- ii. members and officers working together to achieve a common purpose with clearly defined functions and roles
- iii. promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
- iv. taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- v. developing the capacity and capability of members and officers to be effective
- vi. engaging with local people and other stakeholders to ensure robust public accountability

The Council's aims, objectives and main priority areas are detailed in its Corporate Improvement Plan 2009–2012. The Authority's Core Values as set out in the Plan are to strive to be:-

- **F**air (considering everyone's needs and circumstances),
- **A**mbitious (always trying to improve what we do and aiming for excellence),
- **C**ustomer focused (remembering the need to serve the local communities) and
- **E**fficient (delivering effective services that are value for money).

Council's Constitution and Audit Committee

The Constitution of Bridgend County Borough Council, as revised in March 2010, sets out how the Council operates how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. It defines the roles and responsibilities of the Cabinet (the Executive), the Overview and Scrutiny Committees, Full Council and other Committees and Officers. Within the Constitution, there are protocols for effective communication and rules of procedures.

The Council has an Audit Committee which is a key component of corporate governance. It provides a source of assurance about the Council's arrangements for managing risk, maintaining an effective control environment, and reporting on

financial and non-financial performance. In addition, the Standards Committee has a duty to promote and maintain high standards of conduct for Members.

Financial Management

The 'Section 151' Officer (currently the Assistant Chief Executive- Performance) is the responsible officer for the administration of the Council's affairs under section 151 of the Local Government Act 1972. He is responsible for ensuring that appropriate advice is given on all financial matters, for maintaining proper financial accounts and records and maintaining an effective system of internal financial control.

Code of Conduct

The Council has established Codes of Conduct for both Employees and Members that define expected standards of personal behaviour. These are contained within Part 5 of the Constitution.

Risk Management

The Council published its Policy for the Management of Risk in February 2006 which was updated in February 2010. It identifies that all Elected Members and employees of the Council need to make themselves aware of risks in the decision making process and everyday work situations. The Corporate Management Board is responsible for the management of risks in all areas of the Council.

Catalogue Supplies Service Joint Committee

The Joint Committee's Constitution sets out how the Committee operates, how decisions are made, and the procedures which are followed. It defines the roles and responsibilities of the Members and Officers, the membership and powers of the Committee.

The elements of the internal control environment of the Joint Committee are achieved as follows

- (i) Establishing and monitoring the achievement of the County Borough Supplies Service objectives
 - Memorandum of Agreement defining the constitution refers to the submission of estimates to the Committee and preparation of an annual report and statement of accounts.
 - The ongoing Joint Supplies Service Review. This has regularly reviewed operations and the commercial environment on a quarterly basis and has reported to the Joint Committee.
 - The Joint Committee agreed a 5 year Business Plan during 2009/10. Regular reports are provided to the Joint Committee to review both the progress of the implementation programme together with the planned turnover growth.
- (ii) Facilitation of policy and decision-making
 - Catalogue Supplies Service Joint Committee which makes executive decisions and meets on a quarterly basis comprises members from Bridgend County Borough Council, Merthyr Tydfil CBC, Caerphilly CBC and Rhondda Cynon Taf CBC.

- (iii) Ensuring compliance with established policies, procedures, laws and regulations
 - Function delegated to Bridgend County Borough Council.
- (iv) Ensuring the economical, effective and efficient use of resources and secure continuous improvement in the way functions are exercised
 - Catalogue Supplies Service Joint Committee
- (v) Facilitating the financial management of the Committee
 - Under the financial stewardship of Bridgend County Borough Council by way of the support service agreement and periodic internal audit reviews.
- (vi) Facilitating the performance management of the authority and its reporting
 - Bridgend County Borough Council Corporate Improvement arrangements
 - Questionnaires

4. Review of Effectiveness

Bridgend County Borough Council, having the stewardship of the Joint Committee's finances has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of:-

- the Corporate Directors within the Council who have responsibility for the development and maintenance of the governance environment.
- the work of the internal auditors, the comments made by the external auditors in their management letters and other reports;
- the reports of other independent inspection bodies and Welsh Assembly Government.

The process for maintaining and reviewing the effectiveness of the governance framework includes the following:-

- A Performance Management Framework
- An Overview and Scrutiny function
- The Audit Committee
- Internal Audit
- The Joint Risk Assessment for the Authority has been undertaken and agreed with regulators in September 2009 involving the Wales Audit Office, Corporate Management Board and Cabinet.
- A Corporate Programme Management Board

A review of County Borough Supplies was undertaken by Bridgend County Borough Council Internal Audit (dated 31st March 2009) as part of their 2008/09 annual Internal Audit Plan and was graded adequate. The results of the Audit Review were reported to the Joint Committee in June 2009. County Borough Supplies are audited on a 3 year cycle; the next internal review is planned for 2011/12.

5. Significant Governance Issues

No significant issues were identified during 2010/11 as a result of the review of arrangements.

6. Certification of Annual Governance Statement

Signed:

.....Date.....

Chairperson of the Joint Committee - R Burns

.....Date.....

David Macgregor, CPFA

Treasurer to the Joint Committee

Assistant Chief Executive Officer- Performance, Bridgend County Borough Council

.....Date.....

Joint Supplies Service Manager – P Hughes

Statement of Accounting Policies

1. General principles

The Statement of Accounts summarises the committee's transactions for the 2010/11 financial year and its position at the year end of 31 March 2011. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code) 2010/11 and the *Best Value Accounting Code of Practice* 2010/11 supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is historical cost. Since its inception, the organisation has produced a surplus since up until 2009/10, and would have produced a surplus again in 2010/10 had it not decided to invest in service modernisation. There are currently no plans to terminate its operations.

The Joint Committee and Treasurer therefore considered it appropriate to prepare the accounts on a going concern basis. As long as current performance continues the organisation will be operative for at least 12 months from the date of accounts signature.

2. Accruals of income and expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Fees, charges and rents due from customers are accounted for as income at the date the Committee provides the relevant goods or services.
- Supplies are recorded as expenditure when they are consumed – where supplies have been received but not yet consumed, they are carried as inventories (stocks) on the balance sheet.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

3. Reserves

The Committee sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the Income and Expenditure Account. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the Accumulated Surplus Balance in the Movement in Reserves Statement so that there is no net charge against the revenue account for the expenditure.

The Reserve for Plant and Equipment is used for evening out expenditure on larger items such as computer software for e-trading which are not capitalised.

4. Provisions

Provisions are made where an event has taken place that gives the committee an obligation that probably requires settlement by a transfer of economic benefits, but where the timing or amount of the transfer is uncertain. For instance, the Committee may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged to the appropriate revenue account when the Committee becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the balance sheet. Estimated settlements are reviewed at the end of each financial year and where it becomes more likely than not that a transfer of economic benefits will not be required, the provision is reversed and credited back to the relevant revenue account.

Where some or all of the payment required to settle a provision is expected to be met by another party, this is only recognised as income in the relevant revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

5. Inventories (Stock and Work in Progress)

Inventories (stocks and stores) have been included in the accounts at the average purchase price.

This policy is in not accordance with the International accounting Standards (IAS2 Inventories), 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.

6. Allocation of Support Services

The costs of overheads and support services are charged to services that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2010/11 (BVACOP)*. For 2010/11, most support service costs have been apportioned by a variety of methods. The most important being:

- actual use of support service
- estimated staff deployment, in some cases backed by formal time recording systems
- apportionments based on related financial or physical quantities (e.g. employee numbers, number of deliveries etc)

The charge for support services includes Information Technology, Procurement, Customer Contact, Cash Receipting, Payments, Audit and Accountancy.

7. VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to Her Majesty's Revenue and Customs and all VAT paid is recoverable from them.

8. Employees and Pensions Costs

The County Borough Supplies Service employs no staff directly. Staff are employed by the Service's stakeholder organisations (principally Bridgend County Borough Council- see note 16 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.

9. Financing Charges

These are calculated on the average monthly cash balance for the year and represent an interest charge at base rate plus 1%. The charge during 2010/11 was therefore 1.5%, for the overdrawn balance financed by the host authority.

10. Employee benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave and bonuses for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlement earned by employees but not taken before the financial year-end which employees can carry forward into the next financial year. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in the Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

11. Cash & Cash Equivalents

Cash is represented by cash in hand, and will also include bank overdrafts that are repayable on demand and that are integral to the organisation's cash management. Cash equivalents are investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. County Borough Supplies does not undertake short term investments.



Core Financial Statements 2010/11

Movement in Reserves Statement For Years Ended 31 March 2010 & 2011

	Accumulated Surplus Balance £000	Earmarked Reserves £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Notes
Balance at 31 March 2009	482	29	511	(6)	505	
Movement in reserves during 2009/10						
Surplus or (deficit) on provision of services	13		13		13	
Other Comprehensive Expenditure and Income	0	0	0		0	
Total Comprehensive Expenditure and Income	13	0	13	0	13	
Net Increase/ (Decrease) before Transfers to Earmarked Reserves	13	0	13	0	13	
Transfers to/from Earmarked Reserves	(59)	54	(5)	5		1
Increase/Decrease (movement) in Year	(46)	54	8	5	13	
Balance at 31 March 2010 carried forward	436	83	519	(1)	518	
<u>Movement in reserves during 2010/11</u>						
Surplus or (deficit) on provision of services	(5)	0	(5)	0	(5)	
Total Comprehensive Expenditure and Income	(5)	0	(5)	0	(5)	
Net Increase/ (Decrease) before Transfers to Earmarked Reserves	(5)	0	(5)		(5)	
Transfers to/from Earmarked Reserves	41	(39)	2	0	2	1
Increase/Decrease in Year	36	(39)	(3)	(2)	(5)	
Balance at 31 March 2011 carried forward	472	44	516	(3)	513	

Comprehensive Income and Expenditure Statement 2010/11

2009/10			Description	2010/11			Notes
Gross Expenditure Restated	Gross Income Restated	Net Expenditure Restated		Gross Expenditure Restated	Gross Income Restated	Net Expenditure Restated	
£000s	£000s	£000s		£000s	£000s	£000s	
920		920	Staff Costs	905		905	(2,3)
96		96	Premises	87		87	
68		68	Transport	107		107	
197		197	Supplies & Services	169		169	
3		3	Third Party Payments	5		5	
34		34	Support Services	37		37	4
		0	Stock Obsolescence	0		0	
3		3	Bad Debt Provision	3		3	5
1,321	0	1,321	Operating Expenditure	1,313	0	1,313	
1			Interest payable on debt				6
1	0	1	Financing & Investment Income	0	0	0	
	(5,512)	(5,512)	Income				
			Turnover (Sales)		(5,609)	(5,609)	
			Less cost of Sales				
405			Opening Stock	502			
4466			Plus Purchases	4514			
(502)		4369	Less Closing Stock	(528)		4488	
4369	(5,512)	(1,143)	Gross Profit	4488	(5,609)	(1,121)	
	(192)	(192)	Other Income		(187)	(187)	7
5,691	(5,704)	(13)	Total Comprehensive Income or Expenditure	5,801	(5,796)	5	

Balance Sheet for Years Ended 31 March 2009, 2010 and 2011

1st April 2009 Restated £000	1st April 2010 Restated £000	Description	1st April 2011 Restated £000	Notes
405	502	Inventories	528	8
894	672	Short Term Debtors	857	9
(381)	(281)	Cash and Cash Equivalents	(168)	10
918	893	Current Assets	1,217	
		Short Term Borrowing		
(16)	(19)	Provisions	(23)	(5,11)
(391)	(355)	Short Term Creditors	(678)	12
(407)	(374)	Current Liabilities	(701)	
(6)	(1)	Provision for Accumulated Absences	(3)	
(6)	(1)	Long Term Liabilities	(3)	
505	518	Net Assets	513	
		Usable reserves		
482	436	Accumulated Surplus	472	13
29	83	Earmarked Reserve	44	13
		Unusable reserves		
(6)	(1)	Short-term Accumulating Compensated Absences Account	(3)	14
505	518	Total Reserves	513	

Cash Flow Statement as at 31 March 2011

2009/10 Restated £000		2010/11 Restated £000	Notes
(13)	Net (surplus) or deficit on the provision of services	5	
(87)	Adjust net surplus or deficit on the provision of services for noncash movements	(118)	
(100)	Net cash flows from Operating Activities	(113)	15
(100)	Net increase or decrease in cash and cash equivalents	(113)	
381	Cash and cash equivalents at the beginning of the reporting period	281	
281	Cash and cash equivalents at the end of the reporting period	168	16

Certification of Accounts

Statement of Accounts 2010/2011

Catalogue Supplies Service Joint-Committee

County Borough Supplies

Treasurer's Certificate

I certify that the accounts set out in Pages 17 to 22 present fairly the financial position of the Committee as at 31st March 2011

Signed

David Macgregor

David Macgregor CPFA
Assistant Chief Executive, Section 151 Officer

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 2011 was approved by the Committee on XX September 2011

Signed

Chairperson of Joint Committee

Dated



Notes to the Core Financial Statements 2010/11

Notes to the Movement in Reserves Statement

1. Adjustments between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the organisation in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the organisation to meet future capital and revenue expenditure.

The tables below detail the adjustments for 2009/10 for comparative purposes and the adjustments for 2010/11:-

	Accumulated Surplus Fund Balance £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Short term Compensated Absences £'000	Total Reserves £'000
2009/10					
Adjustments primarily involving the Accumulated Absences Account :					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(5)	(5)	5	5	-
Total Adjustments 2009/10	(5)	(5)	5	5	-

	Accumulated Surplus Fund Balance £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Short term Compensated Absences £'000	Total Reserves £'000
2010/11					
Adjustments primarily involving the Accumulated Absences Account :					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	2	2	(2)	(2)	-
Total Adjustments 2010/11	2	2	(2)	(2)	-

Notes to the Comprehensive Income and Expenditure Statement

2. Officers' Emoluments

The Accounts and Audit (Wales) (amendment) Regulations 2010 require the starting point to be £60,000 for this disclosure. There were no staff members whose gross pay exceeded this figure in 2010/2011 (or 2009/2010).

3. Pension Costs

The actual amount charged to the revenue accounts for pensions included under employees was £112,898 (£113,357 in 2009/10).

4. Support Services

The charges are as follows: -

Description	2009/2010 £	2010/2011 £
Accountancy/IT	18,516	19,464
Creditors / Payroll/HR	8,880	10,088
Internal Audit	5,545	5,509
Facilities Management	469	-
Legal Services	287	-
Procurement	455	1000
Customer Contact	-	640
TOTAL	34,152	36,701

5. Bad Debt Provision

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.

2009/10 £'000	Movements during the year	2010/11 £'000
(3)	Opening Balance	(6)
-	Write-offs	-
(3)	Increase in provision from revenue	(3)
(6)	Closing Balance	(9)

6. Interest payable on debt (Financing Charges)

These are calculated on the average cash balance at month end, at the average Bank of England base rate plus 1%. The charge during the year remained constant at 1.5%. Financing costs for 2010/11 amounted to £242.

7. **Other Income**

Other income includes Contract-rebates of £38k (2009/10 in £35k), other rebate (not included in Business Plan) £29k, (£28k in 2009/10), 93K for catalogue sponsorship (2009/10: £111k), £14k for site recharge (2009/10 in £11k) and £13k catalogue associated income.

Notes To Balance Sheet

8. **Inventories**

The stock balance relates to stock of finished goods held at average purchase price for trading with the constituent authorities and related organisations.

2009/10 £'000	Description	2010/11 £'000
<u>502</u>	Stock	<u>528</u>

9. **Short Term Debtors**

This represents the monies owed to the Catalogue Supplies Service Joint Committee after making provision for debts that might not be recovered. The main debtors are listed below:

2008/09 £'000	2009/10 £'000	Short Term Debtors	2010/11 £'000
	1	Central Government Bodies	-
642	491	Other Local Authorities	759
252	180	Other Entities & Individuals	98
894	672		857

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

2009/10 £000	Description	2010/11 £000
(7)	Reserved debtors for trading activities	110
679	Sundry Debtors	747
672	Total	857

10. **Cash & Cash Equivalent**

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

11. Provisions

In addition to the Bad Debt provision, a provision for stock obsolescence has been created amounting to £13,129 to provide for items of stock identified as slow moving or obsolete (unchanged since 31st March, 2008).

2009/10 £000	Movements during the year	2010/11 £000
(13)	Opening Balance	(13)
6	Write-offs	
(6)	Increased contribution from revenue	
(13)	Closing Balance	(13)

12. Short Term Creditors

These represent monies owed by the Catalogue Supplies Service Joint Committee and are analysed as follows:

1 April 2009 Restated £'000	2009/10 Restated £'000	Short Term Creditors	2010/11 £'000
71	42	Central Government Bodies	108
63	31	Other Local Authorities	60
257	282	Other Entities & Individuals	510
391	355		678

The creditor balance consists of the following categories –

2009/10 £000	Description	2010/11 £000
30	Customer Accounts in Credit	34
283	Reserved Creditors	536
42	H.M.R.C. – Other Taxes -V.A.T.	108
355	Total	678

13. Usable Reserves

The following notes detail the Usable Reserves for County Borough Supplies:-

a) Accumulated Surplus

The movements on the accumulated surplus account are as follows:

1 April 2009 £'000	2009/10 £'000		2010/11 £'000
482	482	Balance Brought Forward	436
		Transfer (to)/from earmarked reserve for service modernisation	39
	(70) 24	Surplus/ (Deficit) for year	(3)
482	436	Balance Carried Forward	472

b) Earmarked Reserve

The movement on the **reserve for plant and equipment** during the year reflected the funding of in year agreed expenditure in relation to web catalogue, back office integration and process re-engineering costs agreed in the business plan.

1 April 2009 £'000	2009/10 £'000		2010/11 £'000
29	29	Balance Brought Forward	83
	(16)	Use of earmarked reserve to fund service initiatives	(39)
	70	Increase in Reserve	
29	83	Balance Carried Forward	44

14. Unusable Reserves

The following notes detail the Unusable Reserves for County Borough Supplies:-

a) Short Term Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the Accumulated Surplus Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the Accumulated Surplus Balance is neutralised by transfers to or from the Account.

1 April 2009 Restated £'000	2009/10 Restated £'000		2010/11	
			£'000	£'000
-	(6)	Balance as at 1 April		(1)
}	6	Settlement or cancellation of accrual made at the end of the proceeding year	1	
	(1)	Amounts accrued at the end of the current year	(3)	
	5	Amounts by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements		(2)
(6)	(1)	Balance as at 31 March		(3)

15. **Operating Activities**

The cash flows for operating activities include the following items:-

2009/10 Restated £'000		2010/11 £'000
(13)	Net (surplus) or deficit on the provision of services	5
	<u>Accruals adjustments:</u>	
97	Increase/(Decrease) in Stock	26
(225)	Increase/(Decrease) in Debtors/Provisions	181
36	Increase/(Decrease) in Creditors/Provisions	(323)
5	Movement on provisions for accumulated absences	(2)
(100)		(113)

16. **Analysis of Changes in Cash during the Year**

	Bal B/F 01/04/10 £'000	Bal C/F 31/03/11 £'000	Change During Year £'000
Cash at Bank (Overdraft)	(281)	(168)	113

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

17. **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 2011, the following permanent staff were employed, who had been seconded on local government re-organisation in 1996 from:-

2009/10 Nos	Description	2010/11 Nos
2	Bridgend C.B.C.	2
3	Caerphilly C.B.C.	3
3	Rhondda Cynon Taf C.B.C.	3

There are 28 staff (29 in 2009/10) in addition to this, who were subsequently employed by Bridgend C.B.C on behalf of the Joint Committee, and there is a full time equivalent of 4.0 staff employed from agencies (2009/10 2.5). Some members and officers may act as school governors for schools with which the organisation trades.

The organisation uses Bridgend County Borough Council vehicles on a spot hire basis. The debtor balance at the year end (note 9) and short term creditors (note 12) includes related party transactions as follows:

Related Parties	Debtors £'000	Creditors £'000	Net £'000
Merthyr C.B.C	31	(3)	28
Bridgend C.B.C	165	(34)	131
Caerphilly C.B.C	215	(7)	208
Rhondda Cynon Taf C.B.C	271	(12)	259
Total Related Parties	682	(56)	626

There were no other material balances at the year end.

18. External audit costs

In 2010/11 County Borough Supplies incurred the following fees relating to external audit and inspection charged by the auditors KPMG:-

2009/2010	Description	2010/2011
£		£
2,000	Audit Fee	2,100

19. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Best Value Accounting Code of Practice*. This is in the format in which information is reported to the Joint Committee. However, these reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- they exclude any accrual in respect of the cost of holiday entitlements earned by employees but not taken before the year-end.

The income and expenditure of County Borough Supplies recorded in the budget reports for the comparative year (2009/10) is as follows:

Catalogue Supplies Service Income and Expenditure 2009/10	£'000
Fees, charges & other service income	(1,335)
Total Income	(1,335)
Employee expenses	925
Other operating expenses	368
Support Service Recharges	34
Total operating expenses	1,327
Net Cost of Services	(8)

Reconciliation of Reported Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

The below reconciliation shows how the figures in the analysis of reported income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement for the comparative year (2009/10) :-

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement 2009/10	£'000
Cost of Services in Service Analysis	(8)
Add amounts not reported to management	(5)
Net Cost of Services in Comprehensive Income and Expenditure Statement	(13)

The income and expenditure of County Borough Supplies recorded in the budget reports for the comparative year (2010/11) is as follows:

Catalogue Supplies Service Income and Expenditure 2010/11	£'000
Fees, charges & other service income	(1,308)
Total Income	(1,308)
Employee expenses	903
Other operating expenses	371
Support Service Recharges	37
Total operating expenses	1,311
Net Cost of Services	3

Reconciliation of Reported Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

The below reconciliation shows how the figures in the analysis of reported income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement for the comparative year (2010/11) :-

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement 2010/11	(£'000)
Cost of Services in Service Analysis	3
Add amounts not reported to management	2
Net Cost of Services in Comprehensive Income and Expenditure Statement	5

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 organisation.

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 organisation's accounts.

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.

Comprehensive Income and Expenditure Statement

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.

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 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.

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)

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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 organisation / 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 organisation / someone who owed the Council money at the end of the financial year for goods / services received during the financial year or previous years.

Depreciation

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

Earmarked Reserve

These are reserves set aside for a specific purpose.

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).

International Financial Reporting Standard (IFRS)

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.

Inventories

Inventories 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.

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.

Movement in Reserves Statement (MIRS)

This statement shows the movement in the year on different reserves held by the Authority.

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.

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.

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.