

CATALOGUE SUPPLIES SERVICE JOINT COMMITTEE

COUNTY BOROUGH SUPPLIES

STATEMENT OF ACCOUNTS

2011/12



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Explanatory Foreword

1. County Borough Supplies

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.

2. The Statement of Accounts

- The accounts for 2011/12 have been produced in line with a new Code of Practice on Local Authority Accounting in the United Kingdom (the Code) for 2011. 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 increased by £157k.

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 2011/12, County Borough Supplies showed a surplus on the Comprehensive Income and Expenditure Statement of £157k.

3. Balance Sheet

This shows the Joint Committee's financial position as at 31 March 2012, where the net worth was £672k. 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 a reserve that holds the timing differences between the annual leave entitlement for staff and actual annual leave taken at the 31 March 2012.

4. Cash Flow Statement

This explains the financial position in cash terms and shows that the Committee's cash position had increased by £33k.

e) The notes to the Accounts

These are disclosures relating to the financial statements.

3. Analysis of Financial Performance

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

Actual 2010/11 £000	Income	Budget 2011/12 £000	Actual 2011/12 £000	Variance 2011/12 £000
(1,121)	Catalogue Sales (net)	(1,125)	(1,241)	(116)
(205)	Other income *	(145)	(157)	(12)
(1,326)	Total Income	(1,270)	(1,398)	(128)
	Expenditure			
903	Employees	885	882	(3)
87	Premises	83	84	1
108	Transport	107	100	(7)
167	Supplies & Services	149	138	(11)
5	Third Party Payments	9	9	-
37	Support Services	37	34	(3)
-	Finance Charges		2	2
20	Increase/(Decrease) in Provisions (Bad Debt & Stock Obsolescence)		(1)	(1)
1,327	Total Expenditure	1,270	1,248	(22)
1	(SURPLUS)/ DEFICIT FOR YEAR	0	(150)	(150)

The actual performance for the year is provided in the format in which information is normally reported to the Joint Committee, and excludes any accrual in respect of the cost of holiday entitlements earned by employees but not taken at the year end. The financial position as at 31 March 2012 showed an under-spend on service expenditure within the year of £150k.

This is different to the figure reported in the Comprehensive Income and Expenditure Account of £157k surplus which includes an adjustment in respect of holiday entitlements.

3.2 **Reasons for differences between budget and spend**

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

The more significant variances are:-

- An over-recovery in Catalogue Sales income of £116k as a result of favourable levels of trading experienced in the year.
- A net underspend of £3k on employees in respect of the management of vacancies.
- A net underspend of £7k on transport costs reflecting a planned reduction to the operational costs group.
- A net underspend of £11k on supplies and services costs due to collective minor variances on budget heads.

* Other income includes sponsorship (£96k), retro rebates (£34k) catalogue cost income (£13k) and site recharge income (£13k).

The level of gross sales increased from £5.609m in 2010/11 to £6.220m (11%) in 2011/12.

Gross margins of 19.95% were lower than the 19.99% in 2010/11.

The net assets of the Catalogue Supplies Service stood at £672k as at 31 March 2012 (£515k as at 31 March 2011).

3.3 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. The surplus for 2011/12 of £150k has been offset with a transfer to the reserve account (£1k deficit in 2010/11).

3.4 Future Development

A Business Process Review report was presented to Joint Supplies Service Committee in February 2012. The review looked at options for the future configuration of County Borough Supplies. The Joint Committee endorsed the findings of the review. This requires the Service to modernise and consolidate aspects of its business operations in order that it can meet the expectations of the four participating authorities and respond to the changing public sector supply environment.

A number of actions are now being progressed and a planned development timetable was presented to Committee in April 2012.

4. Changes in Accounting Policies

There are no changes to Accounting Policies in 2011/12.

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 2012/13 (and successive years), with the Service operational budget having been constructed accordingly. The level of balances held is sufficient to enable the Joint Committee to respond to unforeseen eventualities.

6. Activity Data

6.1 Inventory Days

The average number of days an inventory item was held decreased from 43 days to 32 days.¹

6.2 Debtor Days

The average number of days for which a debt is outstanding has increased compared to the previous year. The increase is from 29 days in 2010/11 to 30 days in 2011/12.²

¹ $\frac{\text{Stocks}}{\text{Cost of Sales}} \times 365$

² $\frac{\text{Average Debtors}}{\text{Sales}} \times 365$

6.3 Activity Measure

As a measure of activity, the number of active customers served on an establishment basis was 1,896 and the number of transactions during the year was 266,807 from 44,665 orders.

By comparison, in 2010/11, the number of customers served on an individual order basis was 1856 and the number of transactions during the year was 267,656 from 46,311 orders.

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 - Performance and Section 151 Officer, 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.

Joint Committee's Certificate

The Statement of Accounts of Catalogue Supplies Service Joint Committee as at 31 March 2012 was approved by the Committee of 28th June 2012.

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 2012.

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.

The Treasurer should sign and date the Statement of Accounts, stating that it gives a true and fair view of the financial position of the authority at the reporting date and of its income and expenditure for the year ended 31 March 2012.

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 2012.

Signed :

Assistant Chief Executive - Performance and Section 151 Officer

Date :

The Annual Governance Statement 2011/12

1. Scope of Responsibility

- 1.1 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.
- 1.2 The Committee also has a duty under the Local Government (Wales) Measure 2009 to secure continuous improvement in the exercise of its functions in terms of strategic effectiveness, service quality, service availability, fairness, sustainability, efficiency and innovation.

This builds upon the principles set out by the Welsh Government (WG) under the Wales Programme for Improvement (WPI) and the vision for public service delivery as set out in the 'Making The Connections' report.

- 1.3 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.
- 1.4 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.
- 1.5 Bridgend County Borough Council acting in its stewardship role has developed a Code of Corporate Governance which is consistent with the framework developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE). It also incorporates the "Making the Connections" governance principles and values set out by the Welsh Government (WG).
- 1.6 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

- 2.1 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 its stakeholders and customers. 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.

- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It does not eliminate all risk; the system of internal control is designed to identify and prioritise risks, evaluate the likelihood of those risks materialising and to manage their impact.
- 2.3 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.
- 2.4 The following paragraphs summarise the governance framework and the system of internal control, which has been in place at Catalogue Supplies Service Joint Committee for the year ended 31 March 2012. The description of the arrangements in place is built around the core principles set out in the Council's Code of Corporate Governance.

3. The Governance Framework

3.1 Bridgend CBC

Policies & Plans

- 3.1.1 The six principles of corporate governance that underpin the effective governance of all local authority bodies as defined by CIPFA and SOLACE, incorporating the WG governance principles (shown in italics) are as follows:
- Focusing on the Council's purpose and on outcomes for the community and creating and implementing a vision for the local area; (*Putting the Citizen First*); (*Achieving Value for Money*).
 - Members and officers working together to achieve a common purpose with clearly defined functions and roles; (*Knowing Who Does What and Why*);
 - Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour; (*Living Public Service Values*);
 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk; (*Fostering Innovation Delivery*);
 - Developing the capacity and capability of Members and officers to be effective; (*Being a Learning Organisation*);
 - Engaging with local people and other stakeholders to ensure robust public accountability; (*Engaging with Others*);

The Council's aims, objectives and main priority areas are detailed in its Corporate Improvement Plan 2010–2013. The Council's core values encapsulated in the acronym FACE demonstrate the Council's commitment to the Public Service values which are 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

- 3.1.2 The Constitution is at the heart of Bridgend County Borough Council's business and assigns responsibility within the Authority. It also provides a framework that regulates the behaviour of individuals and groups through codes of conduct, protocols and standing orders. The Constitution is a comprehensive document that is kept under continual review by the Monitoring Officer. It provides a point of reference for individuals and organisations both inside and outside the Council.

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 assurance to the Council on the effectiveness of the governance arrangements, risk management framework and internal control environment and reporting on financial and non-financial performance.

In addition, the Standards Committee has a duty to promote high standards of conduct and support members' observation of the Model Code of Conduct

Financial Management

- 3.1.3 The Assistant Chief Executive – Performance is the Section 151 Officer appointed under the 1972 Local Government Act and carries overall responsibility for the financial administration of the Council. 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

- 3.1.4 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

- 3.1.5 The Council has developed a robust approach to the management of risk and the risk management policy is aligned with Directorate Business Plans and the Council's performance management framework. All risks identified are assessed against the corporate criteria. Risks are viewed from both a Service and Council-wide perspective which allows the key risks to be distilled into a Corporate Risk Register which is regularly reviewed. The Council's approach to Risk Management ensures that key risks are considered within the determination of Council priorities, targets and objectives. All of this serves to inform the development of the Regulatory Plan and the Council's own Improvement Plan.

3.2 Catalogue Supplies Service Joint Committee

3.2.1 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 previously agreed a 5 year Business Plan during 2009/10. Regular reports were provided to the Joint Committee to review both the progress of the implementation programme together with the planned turnover growth. In February 2012 the Joint Committee endorsed the proposals of a 'Business Process Review' Report which required the service to modernise and consolidate aspects of its business operations in response to the changing public sector supply environment. Future progress development reports will be presented to the Joint Committee for consideration.
- (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

4. Review of Effectiveness

4.1 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 Government.

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

- A Performance Management Framework (The Cabinet as Executive)
- A Resourced Scrutiny function which holds the Cabinet to account.
- The Audit Committee which is responsible for reviewing the effectiveness of the system of internal control.
- Internal Audit who undertake a continuous audit of Council services.
- A Corporate Management Board who consider the Wales Audit Office's Annual Improvement Report.
- The Cabinet and Scrutiny Committee functions provide a further mechanism for review and challenge of any issues that may impact upon the system of internal control.

4.3 A review of County Borough Supplies was undertaken by Bridgend County Borough Council Internal Audit (dated 16 December 2011) as part of their 2010/11 annual Internal Audit Plan and was given a grading of 'substantial assurance'. The results of the Audit Review were reported to the Joint Committee in February 2012. County Borough Supplies are audited on a 3 year cycle; the next internal audit review is planned for 2014/15.

5. Significant Governance Issues

5.1 No significant issues were identified during 2011/12 as a result of the review of arrangements.

5.2 The Joint Committee and Officers although recognise that work has been undertaken by the Supplies Service to increase efficiency they believe that further improvements can be made. As such a programme to 'consolidate Business Operations and Modernisation to remain fit for purpose' is being developed. With implementation planned from the summer of 2012.

6. Certification of Annual Governance Statement

Signed:

.....Date.....

Chairperson of the Joint Committee

.....Date.....

Ness Young, 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

- 1.1 The Statement of Accounts summarises the Committee's transactions for the 2011/12 financial year and its position at the year end of 31 March 2012. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code) 2011/12 and the *Service Reporting Code of Practice* 2011/12 supported by International Financial Reporting Standards (IFRS).
- 1.2 The accounting convention adopted in the Statement of Accounts is historical cost. The organisation has produced a net surplus since its inception with exception to 2010/11 when it decided to invest in service modernisation. There are currently no plans to terminate its operations.
- 1.3 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

- 2.1 Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:
 - Fees and charges due from customers are accounted for as income at the date the Committee provides the relevant goods.
 - 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

- 3.1 The Committee sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Movement in Reserves Statement. 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.

3.2 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.

3.3 A reserve is kept to manage the accounting processes for accumulated absences. This reserve does not represent usable resources for the organisation, and is further explained in the relevant policies section.

4. Provisions

4.1 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.

4.2 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.

4.3 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)

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

5.2 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

6.1 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 *Service Reporting Code of Practice 2011/12 (SeRCOP)*. For 2011/12, most support service costs have been apportioned by a variety of methods. The most important being:

- Agreed fixed charges
- 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)

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

7. VAT

7.1 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

8.1 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 17 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

9.1 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 2011/12 was therefore 1.5%, for the overdrawn balance financed by the host authority.

10. Employee benefits

10.1 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, 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 Comprehensive Income and Expenditure Account, 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 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 2011/12

Movement in Reserves Statement For Years Ended 31 March 2011 & 2012

	Accumulated Surplus Balance £'000	Earmarked Reserves £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Committee Reserves £'000	Notes
Balance at 31 March 2010	436	83	519	(1)	518	
<u>Movement in reserves during 2010/11</u>						
Surplus or (deficit) on provision of services	(3)	0	(3)	0	(3)	
Other Comprehensive Expenditure and Income	0	0	0	0	0	
Total Comprehensive Expenditure and Income	(3)	0	(3)	0	(3)	
Net Increase/ (Decrease) before Transfers to Earmarked Reserves	(3)	0	(3)	0	(3)	
Transfers to/from Earmarked Reserves	41	(39)	2	(2)	0	1
Increase/(Decrease) in 2010/11	38	(39)	(1)	(2)	(3)	
Balance at 31 March 2011 carried forward	474	44	518	(3)	515	
<u>Movement in reserves during 2011/12</u>						
Surplus or (deficit) on provision of services	157	0	157	0	157	
Total Comprehensive Expenditure and Income	157	0	157	0	157	
Net Increase/ (Decrease) before Transfers to Earmarked Reserves	157	0	157	0	157	
Transfers to/from Earmarked Reserves	(121)	114	(7)	7	0	1
Increase/(Decrease) in 2011/12	36	114	150	7	157	
Balance at 31 March 2012 carried forward	510	158	668	4	672	

Comprehensive Income and Expenditure Statement 2011/12

2010/11			Description	2011/12			Notes
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	
905		905	Staff Costs	875		875	(2,3)
87		87	Premises	84		84	
108		108	Transport	100		100	
167		167	Supplies & Services	137		137	
5		5	Third Party Payments	9		9	
37		37	Support Services	34		34	4
12		12	Stock Obsolescence Provision	0		0	11
8		8	Bad Debt Provision	0		0	5
1,329	-	1,329	Operating Expenditure	1,239	-	1,239	
-	-	-	Interest payable on debt	2	-	2	6
-	-	-	Financing & Investment Income / Expenditure	2	-	2	
	(5,609)	(5,609)	Income		(6,220)	(6,220)	
			Turnover (Sales)				
			Less cost of Sales				
502			Opening Stock	528			
4,514			Plus Purchases	4,889			
(528)		4488	Less Closing Stock	(439)		4978	
4,488	(5,609)	(1,121)	Gross Profit	4,978	(6,220)	(1,242)	
	(205)	(205)	Other Income		(156)	(156)	7
5,817	(5,814)	3	Total Comprehensive (Income) or Expenditure	6,219	(6,376)	(157)	

Balance Sheet for Years Ended 31 March 2011 and 2012

1st April Restated 2011 £'000	Description	1st April 2012 £'000	Notes
528	Inventories	439	8
850	Short Term Debtors	722	9
1,378	Current Assets	1,161	
	Short Term Borrowing		
(161)	Cash Overdrawn	(128)	10
(39)	Provisions	(34)	(5,11)
(663)	Short Term Creditors	(327)	12
(863)	Current Liabilities	(489)	
515	Net Assets	672	
	Usable reserves		
474	Accumulated Surplus	510	13
44	Earmarked Reserve	158	13
	Unusable reserves		
(3)	Short-term Accumulating Compensated Absences Account	4	14
515	Total Reserves	672	

Cash Flow Statement as at 31 March 2012

2010/11 £'000		2011/12 £'000	Notes
3	Net (surplus) or deficit on the provision of services	(157)	
(123)	Adjust net surplus or deficit on the provision of services for noncash movements	124	
(120)	Net cash flows from Operating Activities	(33)	15
(120)	Net (increase) or decrease in cash and cash equivalents	(33)	
281	Cash and cash equivalents at the beginning of the reporting period	161	
161	Cash and cash equivalents at the end of the reporting period	128	10

Certification of Accounts

Statement of Accounts 2011/2012

Catalogue Supplies Service Joint-Committee

County Borough Supplies

Treasurer's Certificate

I certify that the accounts set out in Pages 18 to 22 give a true and fair view of the financial position of the Committee as at 31 March 2012

Signed

Ness Young

Ness Young 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 31 March 2012 was approved by the Committee on XX September 2012

Signed

Chairperson of Joint Committee

Dated



Notes to the Core Financial Statements 2011/12

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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 adjustment relates to Short-term accumulating compensated absences. These are benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the council. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, County Borough Supplies is required to accrue for any annual leave earned but not taken at 31 March each year, and amounts are transferred to the Accumulated Absences Account until the benefits are used in recognition of this.

The tables below detail the adjustments for 2010/11 for comparative purposes and the adjustments for 2011/12:-

<u>2010/11</u>	Accumulated Surplus Fund Balance £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Short term Compensated Absences £'000	Total Reserves £'000
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)	-

	Accumulated Surplus Fund	Total Usable Reserves	Unusable Reserves	Short term Compensated Absences	Total Reserves
<u>2011/12</u>	Balance	Reserves			
	£'000	£'000	£'000	£'000	£'000
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	(7)	(7)	7	7	-
Total Adjustments 2011/12	(7)	(7)	7	7	-

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 2011/2012 (or 2010/11).

3. Pension Costs

The actual amount charged to the revenue accounts for pensions included under employees was £111,339 (£112,898 in 2010/11). Pension costs are collected on behalf of County Borough Supplies employees and paid over to the pension body.

4. Support Services

The charges are as follows: -

Description	2010/11 £	2011/12 £
Accountancy/IT	19,464	22,925
Creditors / Payroll/HR	10,088	10,222
Internal Audit	5,509	-
Facilities Management	-	-
Legal Services	-	549
Procurement	1000	100
Customer Contact	640	585
TOTAL	36,701	34,381

Recharges are calculated on data from the preceding period. During 2010/11 no audit work was undertaken in County Borough Supplies and this is reflected in the 2011/12 recharges. The increase in the 'Accountancy/IT' recharge relates to the

'IT' element of the charge. This is due to a change in the methodology in producing 'IT' reports for recharging purposes. Previously, reports were produced for the number of hours per category (of work that IT had been done) which was then reallocated to a service manually. These reports have been replaced by a new report of hours per cost centre, with automatic service identification.

Support services costs of £80k in 2011/12 (£81k in 2010/11) for Administrative Building Expenses were also incurred. These costs related to premises related expenditure such as energy, water, domestic and supplies & services costs and are included within the total Premises costs shown in the Comprehensive Income & Expenditure Statement.

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.

2010/11 £'000	Movements during the year	2011/12 £'000
(6)	Opening Balance	(14)
-	Write-offs	2
(8)	Increase in provision from revenue	-
(14)	Closing Balance	(12)

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 2011/12 amounted to £1,570 (£242 in 2010/11).

7. Other Income

Other income includes Contract-rebates of £34k (£38k in 2010/11), 96K for catalogue sponsorship (£93k in 2010/11), £13k for site recharge (£14k in 2010/11), and £13k catalogue associated income (£13k in 2010/11).

Notes To Balance Sheet

8. Inventories

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

2010/11 £'000	Description	2011/12 £'000
<u>528</u>	Inventories	<u>439</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:

2010/11 £'000	Short Term Debtors	2011/12 £'000
754	Other Local Authorities	580
96	Other Entities & Individuals	142
850		722

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

2010/11 £000	Description	2011/12 £000
110	Reserved debtors for trading activities	-
740	Sundry Debtors	718
-	Accumulated absences	4
850	Total	722

10. Analysis of Changes in Cash during the Year

	Bal B/F 01/04/11 £'000	Bal C/F 31/03/12 £'000	Change During Year £'000
Cash at Bank (Overdraft)	(161)	(128)	33

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, there is a provision for stock obsolescence of £23k (£25k in 2010/11) to provide for items of stock identified as slow moving or obsolete.

2010/11 Restated £000	Movements during the year	2011/12 £000
(13)	Opening Balance	(28)
0	Write-offs	2
(12)	Contribution to/(from) revenue	3
(25)	Closing Balance	(23)

12. Short Term Creditors

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

2010/11 £'000	Short Term Creditors	2011/12 £'000
109	Central Government Bodies	97
42	Local Authorities	38
512	Other Entities & Individuals	192
663		327

The **creditor** balance consists of the following categories:-

2010/11 £000	Description	2011/12 £000
15	Customer Accounts in Credit	29
536	Reserved Creditors	201
109	H.M.R.C. – Other Taxes -V.A.T.	97
3	Accumulated absences	-
663	Total	327

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:

2010/11 £'000		2011/12 £'000
436	Balance Brought Forward	474
39	Transfer (to)/from earmarked reserve for service modernisation	(114)
(3)	Surplus/ (Deficit) for year	157
2	Transfer between reserves	(7)
474	Balance Carried Forward	510

b) Earmarked Reserve for Plant & Equipment

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.

2010/11		2011/12
£'000		£'000
83	Balance Brought Forward	44
(39)	Use of earmarked reserve to fund service initiatives	0
	Increase in Reserve	114
44	Balance Carried Forward	158

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.

2010/11			2011/12	
£'000	£'000		£'000	£'000
	(1)	Balance as at 1 April		(3)
1		Settlement or cancellation of accrual made at the end of the proceeding year	3	
(3)		Amounts accrued at the end of the current year	4	
	(2)	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		7
	(3)	Balance as at 31 March		4

15. Operating Activities

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

2010/11 £'000		2011/12 £'000
3	Net (surplus) or deficit on the provision of services	(157)
	<u>Accruals adjustments:</u>	
26	Increase/(Decrease) in Inventories	(89)
170	Increase/(Decrease) in Debtors/Provisions	(130)
(317)	(Increase)/Decrease in Creditors/Provisions	336
(2)	Movement on provisions for accumulated absences	7
(120)		(33)

16. 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.

As a result these Councils are considered related parties of the Joint Committee.

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 2012, the following permanent staff were employed, who had been seconded on local government re-organisation in 1996 from:-

2010/11 No.'s	Description	2011/12 No.'s
2	Bridgend C.B.C.	2
3	Caerphilly C.B.C.	3
3	Rhondda Cynon Taf C.B.C.	3

Further information regarding related party transactions with County Borough Supplies are included in notes 4, 6 ,9, 10 and 12.

There are 27 staff (28 in 2010/11) 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 4.25 staff employed from agencies (4 in 2010/11). Some members and officers may act as school governors for schools with which the organisation trades.

The organisation has ownership of two vehicles (which were purchased in 2007 and are of de-minimis value) and uses Bridgend County Borough Council vehicle hire arrangements on a spot hire basis.

The debtor balance at the year end (note 10) and short term creditors (note 13) includes related party transactions as follows:

Related Parties	Debtors	Creditors	Net
	£'000	£'000	£'000
Merthyr C.B.C	43	(3)	40
Bridgend C.B.C	121	(26)	95
Caerphilly C.B.C	158	(1)	157
Rhondda Cynon Taf C.B.C	222	(5)	217
Total Related Parties	544	(35)	509

Sales made to related parties are provided in the following table:

Related Parties Turnover (Sales)	2010/11	2011/12
	£'000	£'000
Merthyr C.B.C	340	411
Bridgend C.B.C	1,361	1,560
Caerphilly C.B.C	1,326	1,451
Rhondda Cynon Taf C.B.C	1,994	2,223
Total Related Parties Turnover	5,021	5,645

There were no other material balances at the year end.

17. External audit costs

In 2011/12 County Borough Supplies incurred the following fees relating to external audit and inspection charged by the auditors KPMG:-

2010/2011	Description	2011/2012
£		£
2,100	Audit Fee	2,250

18. 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 *Service Reporting 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 2010/11, is as follows:

Catalogue Supplies Service Income and Expenditure	2010/11 £'000	2011/12 £'000
Fees, charges & other service income	(1,326)	(1,398)
Total Income	(1,326)	(1,398)
Employee expenses	903	882
Other operating expenses	387	332
Support Service Recharges	37	34
Total operating expenses	1,327	1,248
Net Cost of Services	1	(150)

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 2011/12 is :-

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement	2010/11 £'000	2011/12 £'000
Cost of Services in Service Analysis	1	(150)
Add amounts not reported to management	2	(7)
Net Cost of Services in Comprehensive Income and Expenditure Statement	3	(157)

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.

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.

Service Reporting Code of Practice (SeRCOP)

The Service Reporting Code of Practice provides a consistent framework for reporting local authority data. SeRCOP is reviewed annually by the appropriate regulating body to ensure that it develops in line with the needs of modern local government, Transparency, Best Value and public services reform.

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.

Cash flow Statement

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

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.

Earmarked Reserve

These are reserves set aside for a specific purpose.

Financial Year

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

International Financial Reporting Standard (IFRS)

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

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.

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.

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.