

CATALOGUE SUPPLIES SERVICE JOINT COMMITTEE

COUNTY BOROUGH SUPPLIES

STATEMENT OF ACCOUNTS

2012/13



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Explanatory Foreword

1. County Borough Supplies

County Borough Supplies is the trading name of the Catalogue Supplies Service Joint Committee of local authorities, which was 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 purchasing and supply function which secures savings to corporate customers and schools through economies of scale and thereby contributes to the financial prudence of the authority. It achieves this by providing a single-source facility for each of the partnering authorities, through delivery via stores and a direct sourcing function for items of common and repetitive spend.

2. The Statement of Accounts

The accounts for 2012/13 have been produced in line with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) for 2012/13. The Code specifies the principles and practices of accounting required to prepare a Statement of Accounts which presents a true and fair view of the financial position and transactions of County Borough Supplies. In developing proper accounting practices, the Code is based on International Financial Reporting Standards.

The main change in requirements since the 2011/12 accounts were prepared, is the requirement to disclose the cost of exit packages agreed. Exit packages include voluntary severance arrangements, compulsory redundancy costs, pension contributions in respect of added years, ex gratia payments and other related departure costs.

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 £158k.

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 County Borough Supplies' activities.

For 2012/13, County Borough Supplies showed a surplus on the Comprehensive Income and Expenditure Statement of £158k.

3. Balance Sheet

This shows the Joint Committee's financial position as at 31 March 2013, where the net worth was £830k. 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 2013.

4. Cash Flow Statement

This explains the financial position in cash terms and shows that the Committee's cash position had increased by £105k.

e) The notes to the Accounts

These are disclosures relating to the financial statements.

3. Analysis of Financial Performance

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

| Actual 2011/12 £000 | Income | Budget 2012/13 £000 | Actual 2012/13 £000 | Variance 2012/13 £000 |
|---------------------------|---|---------------------------|---------------------------|-----------------------------|
| (1,242) | Catalogue Sales (net) | (1,250) | (1,377) | (127) |
| (156) | Other income* | (135) | (125) | 10 |
| (1,398) | Total Income | (1,385) | (1,502) | (117) |
| | Expenditure | | | |
| 882 | Employees | 910 | 903 | (7) |
| 84 | Premises | 87 | 100 | 13 |
| 100 | Transport | 109 | 104 | (5) |
| 137 | Supplies & Services | 154 | 176 | 22 |
| 9 | Third Party Payments | 9 | 17 | 8 |
| 34 | Support Services | 38 | 38 | - |
| 2 | Finance Charges | 1 | 1 | - |
| - | Increase/(Decrease) in Provisions-(Bad Debt & Stock Obsolescence) | | (2) | (2) |
| 1,248 | Total Expenditure | 1,308 | 1,337 | 29 |
| (150) | (SURPLUS)/ DEFICIT FOR YEAR | (77) | (165) | (88) |

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 2013 showed a surplus of £165k.

This is different to the figure reported in the Comprehensive Income and Expenditure Account of £158k surplus which includes an adjustment in respect of holiday entitlements.

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 £127k as a result of favourable levels of trading experienced in the year together with maintained product margins during the year.
- A net underspend of £7k on employees' budget as a consequence of delayed/deferred filling of vacancies during the period of service process and structure change.

- A net overspend of £13k on premises costs mainly due to increased day-to-day building maintenance costs.
- A net underspend of £5k on transport in respect of budget contingency provision and reduced travel expenses.
- A net overspend of £22k on supplies and services costs as a consequence of financing the Phase 1 modernisation investment from within the overall service revenue budget and consequently not utilising the accumulated reserves as originally planned.
- A net overspend of £8k on third party payments as a consequence of financing the transport logistics consultancy review from within the overall revenue services budget.

* Other income includes catalogue sponsorship of £87k, contract (retrospective) rebates of £29k, site recharge income of £7k and a one-off Inventory Data recharge of £2k.

The level of gross sales decreased from £6.220m in 2011/12 to £6.112m (-1.7%) in 2012/13. It is recognised that there was a high level of new school' project refurbishment work during 2011/12 which accounted for turnover of £200k which was not replicated during 2012/13. Additionally, the effect of the severe weather during January 2013, with schools closures for 4/5 days and a consequential reduced expenditure on consumables, noting a reduced order book turnover during the period of c£40k which did not 'catch-up' during the remainder of the year.

Gross margins of 22.53% were higher than the 19.95% in 2011/12. The net assets of the Joint Supplies Service (JSS) stood at £830k as at 31 March 2013 (£672k as at 31 March 2012).

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 2012/13 of £165k has been offset with a transfer to the reserve account (£150k surplus in 2011/12).

Future Development

A three year Business Plan for the period 2012/13 to 2014/15 which reflected the recommendations of a Business Review undertaken in February 2012 was approved by the Joint Committee on 27 September 2012. The Business Plan incorporates the planned service provision portfolio, the core theme of modernising the Service, the changing supplies environment in which the JSS competes and recognises the potential implications and uncertainty arising from the National Procurement Service Initiative.

An update on the Development Action Plan is regularly reported to the Joint Committee. A new Service structure was completed in September 2012 which

involved the amalgamation of the previous service units into two new business groups:- Business Operations and Materials & Sourcing.

4. Changes in Accounting Policies

There are no changes to Accounting Policies in 2012/13.

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

Gross sales were not obviously affected by the Current Economic Climate, and any impact is not now anticipated during 2013/14. The JSS has introduced a revised catalogue price and sales strategy, utilising the opportunity presented by the planned reduction to the Service operational budget, to support turnover/income levels. There is a potential effect of the strategic direction which the new National Procurement Service adopts, expected towards the end of 2013/14 and possibly not occurring until 2014/15. The increased level of balances held is sufficient to enable the Joint Committee to respond to unforeseen eventualities.

6. Activity Data

Inventory Days

The average number of days an inventory item was held increased from 32 days to 35 days.¹

Since inventory turnover is associated with the cost of sales and average inventory, changes in either sales or inventory can cause a change in the amount of inventory days. The increase in inventory days in 2012/13 is as a result of a reduced cost of sales compared to 2011/12 which in this case is a positive for performance which is evident from the increase in gross profit margin reported in paragraph 3.2.

Debtor Days

The average number of days for which a debt is outstanding has decreased compared to the previous year. The decrease is from 30 days in 2011/12 to 27 days in 2012/13.²

Activity Measure

As a measure of activity, the number of active customers served on an establishment basis was 1,843 and the number of transactions during the year was 263,868 from 42,749 orders.

By comparison, in 2011/12, the number of customers served on an individual order basis was 1,896 and the number of transactions during the year was 266,807 from 44,665 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 Corporate Director Resources 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 2013 was approved by the Committee of 26 September 2013.

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 2013.

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.

Certification of Accounts

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 2013.

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 2013.

Signed :

Corporate Director-Resources - and Section 151 Officer

Date :

The Annual Governance Statement 2012/13

1. Scope of Responsibility

- 1.1 The Joint Supplies Service (JSS) 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 its overall responsibilities, the Committee is also responsible for ensuring that it has proper arrangements for the governance of its affairs and a sound system of internal control which facilitates the effective exercise of its functions and which includes 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. The Joint Supplies Service (JSS) 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 values, by which the Joint Committee is directed and controlled and the means by which it accounts to and 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 Joint Supplies Service (JSS) Committee for the year ended 31 March 2013. 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 2013–2017. 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**itizen 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 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 also includes the Codes of Conduct for both members and employees. The Constitution is a comprehensive document that is kept under continual review by the Monitoring Officer to ensure that the aims and principles of the constitution are given full effect. 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 (as Executive), the Overview and Scrutiny Committees which holds the Cabinet to account, 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 provides the focus for reviewing the effectiveness of the system of internal control. This is primarily based upon reviewing the work of Internal Audit and receiving reports from the Council's external auditors. The Committee provides assurance to the Council in relation to the effectiveness of the risk management framework, internal control environment and governance matters.

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

Financial Management

- 3.1.3 The Corporate Director Resources is the Section 151 Officer appointed under the 1972 Local Government Act and carries overall responsibility for the financial administration of the Council. She 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 Joint Supplies Service (JSS) 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.
 - A three year Business Plan for the period 2012/13 to 2014/15 was approved by the Joint Committee on 27 September 2012. Progress reports are presented to the Joint Committee on a regular basis for consideration.
- (ii) Facilitation of policy and decision-making :
 - Joint Supplies Service 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. To ensure continued compliance, the Assistant Chief Executive – Legal and Regulatory Services is the Monitoring Officer appointed under Section 5 of the Local Government and Housing Act 1989. The Monitoring Officer carries overall responsibility for ensuring compliance with the law and his staff work closely with departments to advise on legal matters. He is also responsible for continually reviewing the Constitution which is at the heart of the 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.
- (iv) Ensuring the economical, effective and efficient use of resources and secure continuous improvement in the way functions are exercised:
 - The Joint Supplies Service Committee achieves this by regularly monitoring and reviewing its Business Plan, undertaking a monthly finance health check ,

regularly monitoring and reviewing performance indicators and habitually monitoring order book turnover.

- (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
- (vii) The management of staffing levels and structure in the Joint Supplies Service:
 - Operational issues are managed under the Bridgend terms of employment without referral to Officers or Members; however more strategic decisions such as structure changes, retirement, and redundancies etc. which involve financial consideration are referred to the Joint Service Committee for consideration.

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) linking the Community Strategy to the Corporate Plan.
 - 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 (CMB) who consider the Wales Audit Office's Annual Improvement Report.
 - A Corporate Performance Assessment forum to enable Cabinet and CMB to assess in year performance.
 - 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.

- The Joint Supplies Service Committee has a key role in reviewing and monitoring the effectiveness of the governance framework, and holds at least four meetings in a year for the transaction of general business.

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 regular basis and the next internal audit review is planned for 2013/14.

5. Significant Governance Issues

5.1 No significant issues were identified during 2012/13 as a result of the review of arrangements.

5.2 The governance of the Joint Supplies Service (JSS) has changed considerably over the last eighteen months, initially in the period prior to the Business Strategy Review, with the significantly enhanced role of the joint-authority officer group in primarily strategic but also some operational decision-making, the responsibility for which had previously been the exclusive responsibility of the JSS.

5.3 The change to governance has continued with the increased involvement and role being performed by BCBC as host authority on behalf of the Joint Committee, with a noted change from that of a consultative role to decision-making and control, with a tier of designated BCBC officers overseeing the management function.

5.4 The recent restructuring of the organisation was undertaken with a recognition that the Service reshaping was an outline only and it would not be unlikely that further modification would be required following the initial period of implementation. A review of progress and efficiencies is planned for 2013/14 with a view to continuing to improve upon efficiencies within the service via a change programme strategy.

6. Certification of Annual Governance Statement

Signed:

.....Date.....

Chairperson of the Joint Committee

.....Date.....

Ness Young, CPFA

Treasurer to the Joint Committee

Corporate Director-Resources, 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 2012/13 financial year and its position at the year end of 31 March 2013. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code) 2012/13 and the *Service Reporting Code of Practice (SeRCOP)* 2012/13 supported by International Financial Reporting Standards (IFRS).

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.

The Joint Committee and Treasurer therefore consider 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 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

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.

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.

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 & Contingent Liabilities

- 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.
- 4.4 There are no contingent liabilities impacting on the Catalogue Supplies Service Joint Committee.

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 A provision is held in the accounts to provide for items identified as obsolete or sold at less than net realisable value.

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 2012/13 (SeRCOP)*. For 2012/13, 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 Bridgend County Borough Council acting in its stewardship role (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 2012/13 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 Statement, 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.

12. Accounting Standards that have been Issued but not yet Adopted

There are no standards issued but not yet adopted with material impact on the Statement of Accounts.

13. Critical Judgements in Applying Accounting Policies

There are no critical judgements in applying accounting policies or major sources of estimation uncertainty within the Statement of Accounts.



Core Financial Statements 2012/13

Movement in Reserves Statement For Years Ended 31 March 2012 & 2013

| | Accumulated Surplus Balance £'000 | Earmarked Reserves £'000 | Total Usable Reserves £'000 | Unusable Reserves £'000 | Total Committee Reserves £'000 | Notes |
|--|--|--------------------------------|--------------------------------------|-------------------------------|---|-------|
| Balance at 31 March 2011 | 474 | 44 | 518 | (3) | 515 | |
| <u>Movement in reserves during 2011/12</u> | | | | | | |
| Surplus or (deficit) on provision of services | 157 | - | 157 | - | 157 | |
| Total Comprehensive Expenditure and Income | 157 | - | 157 | - | 157 | |
| Adjustments between accounting basis & funding basis under regulations | (7) | - | (7) | 7 | - | 1 |
| Net Increase/ (Decrease) before Transfers to Earmarked Reserve | 150 | 0 | 150 | 7 | 157 | |
| Transfers to/from Earmarked Reserve | (114) | 114 | - | - | - | 13,14 |
| Increase/(Decrease) in 2011/12 | 36 | 114 | 150 | 7 | 157 | |
| Balance at 31 March 2012 carried forward | 510 | 158 | 668 | 4 | 672 | |
| <u>Movement in reserves during 2012/13</u> | | | | | | |
| Surplus or (deficit) on provision of services | 158 | - | 158 | - | 158 | |
| Total Comprehensive Expenditure and Income | 158 | - | 158 | - | 158 | |
| Adjustments between accounting basis & funding basis under regulations | 7 | - | 7 | (7) | - | 1 |
| Net Increase/ (Decrease) before Transfers to Earmarked Reserve | 165 | - | 165 | (7) | 158 | |
| Transfers to/from Earmarked Reserve | 70 | (70) | - | - | - | 13,14 |
| Increase/(Decrease) in 2012/13 | 235 | (70) | 165 | (7) | 158 | |
| Balance at 31 March 2013 carried forward | 745 | 88 | 833 | (3) | 830 | |

Comprehensive Income and Expenditure Statement 2012/13

| 2011/12 | | | Description | 2012/13 | | | Notes |
|----------------------------|-----------------------|--------------------------|--|----------------------------|-----------------------|--------------------------|-------|
| Gross Expenditure £'000 | Gross Income £'000 | Net Expenditure £'000 | | Gross Expenditure £'000 | Gross Income £'000 | Net Expenditure £'000 | |
| 875 | | 875 | Staff Costs | 910 | | 910 | (2,3) |
| 84 | | 84 | Premises | 100 | | 100 | |
| 100 | | 100 | Transport | 104 | | 104 | |
| 137 | | 137 | Supplies & Services | 176 | | 176 | |
| 9 | | 9 | Third Party Payments | 17 | | 17 | |
| 34 | | 34 | Support Services | 38 | | 38 | 4 |
| - | | - | Bad Debt Provision | | (2) | (2) | 5 |
| 1,239 | - | 1,239 | Operating Expenditure | 1,345 | (2) | 1,343 | |
| 2 | - | 2 | Interest payable on debt | 1 | - | 1 | 6 |
| 2 | - | 2 | Financing & Investment Income / Expenditure | 1 | - | 1 | |
| | (6,220) | (6,220) | Income | | | | |
| | | | Turnover (Sales) | | (6,112) | (6,112) | |
| | | | Less cost of Sales: | | | | |
| 528 | | | Opening Stock | 439 | | | |
| 4,889 | | | Plus Purchases | 4,745 | | | |
| (439) | | 4,978 | Less Closing Stock | (449) | | 4,735 | |
| 4,978 | (6,220) | (1,242) | Gross Profit | 4,735 | (6,112) | (1,377) | |
| - | (156) | (156) | Other Income | - | (125) | (125) | 7 |
| 6,219 | (6,376) | (157) | (Surplus) / Deficit on provision of service | 6,081 | (6,239) | (158) | |

Balance Sheet for Years Ended 31 March 2012 and 2013

| 31 March 2012 £'000 | Description | 31 March 2013 £'000 | Notes |
|---------------------------|--|---------------------------|--------|
| 439 | Inventories | 449 | 8 |
| 722 | Short Term Debtors | 652 | 9 |
| 1,161 | Current Assets | 1,101 | |
| (128) | Cash Overdrawn | (23) | 10 |
| (34) | Provisions | (28) | (5,11) |
| (327) | Short Term Creditors | (220) | 12 |
| (489) | Current Liabilities | (271) | |
| 672 | Net Assets | 830 | |
| | Usable reserves | | |
| 510 | Accumulated Surplus | 745 | 13 |
| 158 | Earmarked Reserve | 88 | 13 |
| | Unusable reserves | | |
| 4 | Short-term Accumulating Compensated Absences Account | (3) | 14 |
| 672 | Total Reserves | 830 | |

Cash Flow Statement as at 31 March 2012 and 31 March 2013

| 2011/12 £'000 | | 2012/13 £'000 | Notes |
|------------------|---|------------------|-----------|
| (157) | Net (surplus) or deficit on the provision of services | (158) | |
| 124 | Adjustments to net surplus or deficit on the provision of services for non-cash movements | 53 | |
| (33) | Net cash flows from Operating Activities | (105) | 15 |
| | | | |
| (33) | Net (increase) or decrease in cash and cash equivalents | (105) | |
| 161 | Cash and cash equivalents at the beginning of the reporting period | 128 | |
| 128 | Cash and cash equivalents at the end of the reporting period | 23 | 10 |



Notes to the Core Financial Statements 2012/13

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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 2011/12 for comparative purposes and the adjustments for 2012/13:-

| <u>2011/12</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 | (7) | (7) | 7 | 7 | - |
| Total Adjustments 2011/12 | (7) | (7) | 7 | 7 | - |

| | Accumulated Surplus Fund | Total Usable Reserves | Unusable Reserves | Short term Compensated Absences | Total Reserves |
|---|---|--------------------------------------|------------------------------|--|---------------------------|
| 2012/13 | Balance | Reserves | | Reserves | 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 2012/13 | 7 | 7 | (7) | (7) | - |

Notes to the Comprehensive Income and Expenditure Statement

2. Officers' Remuneration

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 2012/2013 (or 2011/12).

The Code of Practice 2012/13 requires that the Joint Supplies Service disclose the number and cost of exit packages agreed. The number of exit packages with the total cost of £63k identified in the table below were accrued for and charged to the authority's Comprehensive Income and Expenditure Statement in the current year:

| Exit Package Cost Band (Incl. Special Payments) | No. of Compulsory Redundancies | | No. of Other Departures Agreed | | Total No. Of Exit Packages by Cost Band | | Total Cost of Exit Packages in Each Band £ | |
|---|--------------------------------|---------|--------------------------------|---------|---|---------|--|---------|
| | 2011/12 | 2012/13 | 2011/12 | 2012/13 | 2011/12 | 2012/13 | 2011/12 | 2012/13 |
| £0 - £20,000 | | | | | | | | |
| £20,001 - £40,000 | - | - | - | 2 | - | 2 | - | 62,858 |
| | - | - | - | 2 | - | 2 | - | 62,858 |

3. Pension Costs

The actual amount charged to the revenue accounts for pensions included under employees was £101,630 (£111,339 in 2011/12). 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 | 2011/12 £ | 2012/13 £ |
|------------------------|---------------|---------------|
| Accountancy/IT | 22,925 | 14,950 |
| Creditors / Payroll/HR | 10,222 | 11,360 |
| Internal Audit | - | 2,970 |
| Facilities Management | - | - |
| Legal Services | 549 | 1,300 |
| Procurement | 100 | 7,840 |
| Customer Contact | 585 | - |
| TOTAL | 34,381 | 38,420 |

Recharges are calculated on data from the preceding period. During 2011/12 no audit work was undertaken in County Borough Supplies and this is reflected in the 2011/12 recharges. A review of the recharging methodology in 2012/13 identified that Procurement costs had inadvertently been excluded from the recharge process, this was corrected in 2012/13. However to avoid a significant increase in overall recharges it was decided not to recharge the element of 'IT' costs in 2012/13 in view that County Borough Supplies had already invested significantly in new PC's which included an element of support and licencing costs which had been paid directly by the service . It is noted that the support services budget will need to be reviewed in 2013/14 to reflect the impact of the change in the recharging methodology.

Support services costs of £93k in 2012/13 (£80k in 2011/12) for Administrative Building Expenses were also incurred. These costs related to premises related expenditure such as energy, water, business rates (NNDR), building maintenance, cleaning/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.

| 2011/12 £'000 | Movements during the year | 2012/13 £'000 |
|------------------|----------------------------------|------------------|
| (14) | Opening Balance | (12) |
| 2 | Write-offs | 5 |
| - | Decrease in provision to revenue | 2 |
| (12) | Closing Balance | (5) |

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 2012/13 amounted to £1,330 (£1,570 in 2011/12).

7. Other Income

Other income includes catalogue sponsorship of £87k (£96k in 2011/12), contract rebates of £29k (£34k in 2011/12), site recharge income of £7k (£13k in 2011/12) and a one-off Inventory Data recharge of £2k. In addition, in 2011/12 there was income of £13k received in respect of catalogue production costs.

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.

| Inventories | 2012/13 £'000 |
|--|--------------------------------|
| Balance outstanding at start of year | 439 |
| Purchases | 3,210 |
| Recognised as an expense in the year | (3,199) |
| Written off balances | (1) |
| Balance outstanding at year-end | 449 |

9. Short Term Debtors

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

| 2011/12 £'000 | Short Term Debtors | 2012/13 £'000 |
|--------------------------------|------------------------------|--------------------------------|
| 580 | Other Local Authorities | 523 |
| 142 | Other Entities & Individuals | 129 |
| 722 | | 652 |

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

| 2011/12 £'000 | Description | 2012/13 £'000 |
|--------------------------------|----------------------|--------------------------------|
| 718 | Sundry Debtors | 652 |
| 4 | Accumulated absences | - |
| 722 | Total | 652 |

10. Analysis of Changes in Cash during the Year

| | Bal B/F 01/04/12 £'000 | Bal C/F 31/03/13 £'000 | Change During Year £'000 |
|--------------------------|---|---|---|
| Cash at Bank (Overdraft) | (128) | (23) | 105 |

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. Inventory Provision

In addition to the Bad Debt provision, there is a provision for stock obsolescence of £23k (£23k in 2011/12) to provide for items of stock identified as slow moving or obsolete. This equates to approximately 5% of the inventory closing valuation as at 31 March 2013.

| 2011/12 £000 | Movements during the year | 2012/13 £000 |
|-----------------|--------------------------------|-----------------|
| (25) | Opening Balance | (23) |
| 2 | Write-offs | - |
| - | Contribution to/(from) revenue | - |
| (23) | Closing Balance | (23) |

12. Short Term Creditors

These represent monies owed by the JSS Committee and are analysed as follows:

| 2011/12 £'000 | Short Term Creditors | 2012/13 £'000 |
|------------------|------------------------------|------------------|
| 97 | Central Government Bodies | 100 |
| 38 | Local Authorities | 34 |
| 192 | Other Entities & Individuals | 86 |
| 327 | | 220 |

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

| 2011/12 £000 | Description | 2012/13 £000 |
|-----------------|--------------------------------|-----------------|
| 29 | Customer Accounts in Credit | 35 |
| 201 | Reserved Creditors | 82 |
| 97 | H.M.R.C. – Other Taxes -V.A.T. | 100 |
| - | Accumulated absences | 3 |
| 327 | Total | 220 |

13. Usable Reserves

The following notes detail the Usable Reserves for the JSS Committee:-

a) Accumulated Surplus

The movements on the accumulated surplus account are as follows:

| 2011/12 £'000 | | 2012/13 £'000 |
|------------------|--|------------------|
| 474 | Balance Brought Forward | 510 |
| (114) | Transfer (to)/from earmarked reserve for service modernisation | 70 |
| 157 | Surplus/ (Deficit) for year | 158 |
| (7) | Transfer between reserves | 7 |
| 510 | Balance Carried Forward | 745 |

b) Earmarked Reserve for Plant & Equipment

The reserve was decreased in 2012/13 to reflect the revised planned programme of investment following the decision to fund some phase 1 development costs from the service revenue budget during the year.

| 2011/12 £'000 | | 2012/13 £'000 |
|------------------|--|------------------|
| 44 | Balance Brought Forward | 158 |
| 0 | Use of earmarked reserve to fund service initiatives | 0 |
| 114 | Increase/ (Decrease) in Reserve | (70) |
| 158 | Balance Carried Forward | 88 |

14. Unusable Reserves

The following notes detail the Unusable Reserves for JSS Committee:-

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.

| 2011/12 | | | 2012/13 | |
|---------|----------|--|---------|------------|
| £'000 | £'000 | | £'000 | £'000 |
| | (3) | Balance as at 1 April | | 4 |
| 3 | | Settlement or cancellation of accrual made at the end of the proceeding year | (4) | |
| 4 | | Amounts accrued at the end of the current year | (3) | |
| | 7 | 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) |
| | 4 | Balance as at 31 March | | (3) |

15. Operating Activities

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

| 2011/12 | | 2012/13 |
|-------------|---|--------------|
| £'000 | | £'000 |
| (157) | Net (surplus) or deficit on the provision of services | (158) |
| | <u>Accruals adjustments:</u> | |
| (89) | Increase/(Decrease) in Inventories | 10 |
| (130) | Increase/(Decrease) in Debtors/Provisions | (60) |
| 336 | (Increase)/Decrease in Creditors/Provisions | 110 |
| 7 | Movement on provisions for accumulated absences | (7) |
| (33) | | (105) |

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.

In 2011/12 there were 8 permanent staff employed who had been seconded on local government re-organisation in 1996 from Bridgend (2), Caerphilly (3) & Rhondda Cynon Taff C.B.C (3). Following a formal consultation process all remaining seconded staff were transferred to BCBC terms and conditions by 31st March 2013.

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

There are 31 staff (35 in 2011/12 including seconded staff), who were subsequently employed by Bridgend C.B.C on behalf of the Joint Committee, and there is a full time equivalent of 4.13 staff employed from agencies (4.25 in 2011/12). 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 9) and short term creditors (note 12) includes related party transactions as follows:

| Related Parties | 2011/12 | | | 2012/13 | | |
|------------------------------|------------|-------------|------------|------------|-------------|------------|
| | Debtors | Creditors | Net | Debtors | Creditors | Net |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Merthyr C.B.C | 43 | (3) | 40 | 58 | (1) | 57 |
| Bridgend C.B.C | 121 | (26) | 95 | 105 | (7) | 98 |
| Caerphilly C.B.C | 158 | (1) | 157 | 93 | (2) | 91 |
| Rhondda Cynon Taf C.B.C | 222 | (5) | 217 | 232 | (21) | 211 |
| Total Related Parties | 544 | (35) | 509 | 488 | (31) | 457 |

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

| Related Parties Turnover (Sales) | 2011/12 £'000 | 2012/13 £'000 |
|---------------------------------------|------------------|------------------|
| Merthyr C.B.C | 411 | 432 |
| Bridgend C.B.C | 1,560 | 1,223 |
| Caerphilly C.B.C | 1,451 | 1,417 |
| Rhondda Cynon Taf C.B.C | 2,223 | 2,239 |
| Total Related Parties Turnover | 5,645 | 5,311 |

There were no other material balances at the year end.

17. External audit costs

In 2012/13 the JSS incurred the following fees relating to external audit and inspection charged by the Wales Audit Office:-

| 2011/2012 £ | Description | 2012/2013 £ |
|----------------|-------------|----------------|
| 2,250 | Audit Fee | 2,250 |

18. Financial Instruments Disclosures- Fair Values of Assets and Liabilities

A Financial Instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

The following categories of financial instruments are carried in the balance Sheet:

| | Disclosure Note Ref | 31 March 2013 | | 31 March 2012 | |
|----------------------|---------------------|--------------------------|---------------------|--------------------------|---------------------|
| | | Carrying amount £'000 | Fair value £'000 | Carrying amount £'000 | Fair value £'000 |
| Short-term creditors | 3 | (220) | (220) | (327) | (327) |
| Cash overdrawn | 10 | (23) | (23) | (128) | (128) |
| Short-term debtors | 9 | 652 | 652 | 722 | 722 |
| | | 409 | 409 | 267 | 267 |

Short term creditors and debtors are carried at book value as this is a fair approximation of their value. The Catalogue Supplies Services provides a single source supplies facility predominately for its corporate customers (partnering authorities) and schools, and as such there is minimum risk that debtors will not be realised when due. In addition a provision is held in the Balance Sheet (Note 5) which is regarded as adequate to cover all long standing debt.

The Service is not exposed to market risk other than the interest due on its overdraft which is paid at a variable rate of 1% above base rate. A 0.5% increase in interest rate would increase the annual interest payable on the year-end balance of £23,000 by £115.

The Service is not exposed to significant liquidity risk as its only financial liabilities are short term creditors and the cash overdraft, which is an informal arrangement as part of the host authority's cash management system.

19. Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. There were no

post balance sheet events impacting on the Catalogue Supplies Service Joint Committee.

20. Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts. There were no Contingent Liabilities impacting on the Catalogue Supplies Service Joint Committee.

21. 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 with no segmental analysis being reported as the Committee only has one operating segment. 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 the JSS recorded in the budget reported to the Joint Committee, is as follows:

| Catalogue Supplies Service Income and Expenditure | 2011/12 £'000 | 2012/13 £'000 |
|--|--------------------------|--------------------------|
| Fees, charges & other service income | (1,398) | (1,502) |
| Total Income | (1,398) | (1,502) |
| Employee expenses | 882 | 898 |
| Other operating expenses | 332 | 401 |
| Support Service Recharges | 34 | 38 |
| Total operating expenses | 1,248 | 1,337 |
| | | |
| Net Cost of Services | (150) | (165) |

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 is :-

| Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement | 2011/12 | 2012/13 |
|---|----------------|----------------|
| | £'000 | £'000 |
| Cost of Services in Service Analysis | (150) | (165) |
| Add amounts not reported to management | (7) | 7 |
| Net Cost of Services in Comprehensive Income and Expenditure Statement | (157) | (158) |

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.

JSS

County Borough Supplies is a Joint Supplies Service (JSS). Also known as the Catalogue Supplies Services Joint Committee.

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.

National Non-Domestic Rates (NNDR)

The NNDR, or Business Rate, is the charge to occupiers of business premises. The money collected is paid to the Welsh Government and redistributed to individual authorities in proportion to their adult population.

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.

Proposed audit report of the Appointed Auditor to the Joint Committee

Independent auditor's report to the Members of Catalogue Supplies Service Joint Committee

I have audited the accounting statements and related notes of Catalogue Supplies Service Joint Committee for the year ended 31 March 2013 under the Public Audit (Wales) Act 2004.

Catalogue Supplies Service Joint Committee's accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet and the Cash Flow Statement, and the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2012-13 based on International Financial Reporting Standards (IFRSs).

Respective responsibilities of the responsible financial officer and the independent auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on pages 7 to 8, the responsible financial officer is responsible for the preparation of the statement of accounts, which gives a true and fair view.

My responsibility is to audit the accounting statements and related notes in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the accounting statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements and related notes sufficient to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to Catalogue Supplies Service Joint Committee's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the responsible financial officer and the overall presentation of the accounting statements and related notes.

In addition, I read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited accounting statements and related notes. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Opinion on the accounting statements of Catalogue Supplies Service Joint Committee

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Catalogue Supplies Service Joint Committee as at 31 March 2013 and of its income and expenditure for the year then ended; and

- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matters

In my opinion, the information contained in the Explanatory Foreword for the financial year for which the accounting statements and related notes are prepared is consistent with the accounting statements and related notes.

Matters on which I report by exception

I have nothing to report in respect of the Governance Statement on which I report to you if, in my opinion, it does not reflect compliance with 'Delivering Good Governance in Local Government: Framework' published by CIPFA/SOLACE in June 2007, or if the statement is misleading or inconsistent with other information I am aware of from my audit.

Certificate of completion of audit

I certify that I have completed the audit of the accounts of Catalogue Supplies Service Joint Committee in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Code of Audit Practice issued by the Auditor General for Wales.

Anthony Barrett
Appointed Auditor
Wales Audit Office,
24 Cathedral Road,
Cardiff,
CF11 9LJ

September 2013