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**Bridgend County Borough Council**  
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Civic Offices, Angel Street, Bridgend, CF31 4WB / Swyddfeydd Dinesig, Stryd yr Angel, Pen-y-bont, CF31 4WB

Legal and Regulatory Services /  
**Gwasanaethau Cyfreithiol a Rheoleiddiol**  
Direct line / Deialu uniongyrchol:  
Ask for / Gofynnwch am: Andrew Rees

Our ref / Ein cyf:  
Your ref / Eich cyf:

**Date / Dyddiad: 20 June 2014**

Dear Councillor,

**CATALOGUE SUPPLIES JOINT COMMITTEE**

A meeting of the Catalogue Supplies Joint Committee will be held in Committee Rooms 2/3, Civic Offices, Angel Street, Bridgend on **Thursday, 26 June 2014 at 10.45 am.**

**AGENDA**

1. Election of Chairperson
2. Election of Vice-Chairperson
3. Apologies for Absence  
To receive apologies for absence.
4. Declarations of Interest  
To receive declarations of personal and prejudicial interest (if any) from Members/Officers in accordance with the provisions of the Members' Code of Conduct adopted by Council from 1<sup>st</sup> September 2008.
5. Approval of Minutes 3 - 8  
To receive the minutes of a meeting of the Catalogue Supplies Service Joint Committee held on the 30 January 2014.
6. Statement of Accounts 2013-14 9 - 58
7. Service Trading and Operational Performance 59 - 68
8. Urgent Items  
To consider any other urgent item(s) of business in respect of which notice has been given in accordance with Part 4 (paragraph 4) of the Council Procedure Rules and which the person presiding at the meeting is of the opinion should by reason of special circumstances be transacted at the meeting as a matter of urgency.

9. Exclusion of the Public

The report relating to the following item is not for publication as it contains exempt information as defined in Paragraph 14 of Part 4 and Paragraph 21 of Part 5 of Schedule 12A of the Local Government Act 1972 as amended by the Local Government (Access to Information)(Variation) (Wales) Order 2007.

If following the application of the public interest test the Joint Committee resolves pursuant to the Act to consider this item in private, the public will be excluded from the meeting during such consideration.

10. Business Plan for the Joint Supplies Service

69 - 128

Please note that lunch will be provided on conclusion of the meeting.

**Please Note:**

Due to the current building works in progress at the Civic Offices, there will be not parking available for the meeting, and therefore Members are requested to park in the Rhiw Multi-Storey car park. This car park is a pay and display car park for which a ticket will need to be purchased.

Yours faithfully

**P A Jolley**

Assistant Chief Executive Legal and Regulatory Services

**Distribution:**

Councillors:

N Clarke  
Hardacre  
Jones

Councillors

B Jones  
D Sage  
Stephens

Councillors

Ward  
Williams

MINUTES OF A MEETING OF THE CATALOGUE SUPPLIES SERVICE JOINT COMMITTEE  
HELD IN COMMITTEE ROOM 2/3, CIVIC OFFICES, BRIDGEND ON THURSDAY, 26 JUNE 2014  
AT 10.45AM.

Present:

Representing Bridgend County Borough Council

Councillor N Clarke  
Councillor D Sage

Representing Caerphilly County Borough Council

Councillor D T Hardacre

Representing Merthyr Tydfil County Borough Council

Councillor D Jones

Representing Rhondda Cynon Taf County Borough Council

Councillor J Ward

Officers:

J Ferris	- Corporate Procurement Manager	Bridgend County Borough Council
F Mantle	- Finance Manager, Technical and Corporate	Bridgend County Borough Council
W Wood	- Materials and Sourcing Manager, Joint Supplies Service	Bridgend County Borough Council
S Evans	- Business Operations Manager, Joint Supplies Service	Bridgend County Borough Council
E Lucas	- Head of Procurement	Caerphilly County Borough Council
V Hanly	- Service Director Procurement	Rhondda Cynon Taf County Borough Council
A Rees	- Senior Democratic Services Officer	Bridgend County Borough Council
S Wiggins	- Procurement Officer	Merthyr Tydfil County Borough Council

53 ELECTION OF CHAIRPERSON

RESOLVED: That Councillor D Sage be elected Chairperson of the Catalogue Supplies Service Joint Committee for the forthcoming year.

(Councillor D Sage – Chairperson in the Chair)

54 ELECTION OF VICE-CHAIRPERSON

RESOLVED: That the election of the Vice-Chairperson of the Catalogue Supplies Service Joint Committee be deferred to the next meeting of the Committee.

55 APOLOGIES FOR ABSENCE

Apologies for absence were received from the following Members for the reasons so stated:

Councillor B Jones	-	Other Council Business
Councillor B Stephens	-	Other Council Business
Councillor P Williams	-	Other Council Business

56 DECLARATIONS OF INTEREST

None.

57 MINUTES OF THE PREVIOUS MEETING

RESOLVED: That the minutes of the meeting of the Catalogue Supplies Service Joint Committee of 30 January 2014 were approved as a true and accurate record.

58 STATEMENT OF ACCOUNTS

The Finance Manager – Technical & Corporate presented the unaudited Statement of Accounts for the financial year ended 31 March 2014 which in accordance with the Regulations must be signed and dated by the Joint Committee by 30 June 2014 that they present a true and fair view. She stated that the accounts will be placed on public deposit and be subject to audit by KPMG, the auditors appointed for the Joint Committee by the Wales Audit Office and once audited would need to be approved at the next meeting of the Joint Committee by 30 September 2014.

The Finance Manager – Technical & Corporate informed the Joint Committee that the accounts show a net surplus of £176k, which included an adjustment in respect of holiday entitlements. The accumulated usable reserve is £1.008m at 31 March 2014 compared to £833k in the preceding year. The financial position as at 31 March 2014 (excluding holiday accruals) showed a surplus of £176k in the year.

The Finance Manager – Technical & Corporate explained the reasons for the significant variations from budget and confirmed that the casting total for gross expenditure in the Comprehensive Income and Expenditure Statement would be amended during the external audit of the accounts.

In response to a question from the Joint Committee the Corporate Procurement Manager stated that it was intended not to fill the vacant posts.

RESOLVED: That the Joint Committee noted the unaudited Statement of Accounts for 2013-14.

57 SERVICE TRADING AND OPERATIONAL PERFORMANCE

The Corporate Procurement Manager presented a report to apprise Members of the service trading and operational performance during the year to date.

He reported on the value of sales turnover for the last financial year measured against the sales target together with a comparison for the same period in the previous year, which had seen turnover increasing against both target and on the in the previous financial year. This was attributable to the continuation of project work and undertaken by the majority of local authorities, an increase in business from Cardiff Council due to the forthcoming closure of Cardiff Supplies and an increase in turnover from the Flying Start initiative. A trading surplus of £176k was attained in 2013-14 increasing overall surpluses of the Service to £1,005,000. He stated that the first two months trading period had provided a

positive outcome with growth to target, reflecting the late Easter holiday period, while June / July were historically the most demanding from the schools sector.

He reported on a comparison of budget against projected spend as at 31 May 2014, which had seen expenditure during the first two months being generally as anticipated, with exceptions of a decrease in employees due to decreased staff/increased agency costs and an increase in supply/services due to re-costing of annual external audit fees. The accumulated reserves for the service were £1,005,000 as at 31 March 2014, which were projected to increase to £1,114,000 gross at 31 March 2015, reflecting expected trading performance during the year. The Corporate Procurement Manager informed the Committee that the majority of the additional business picked up by the Catalogue Supplies Service was from Cardiff Council and a further contract for janitorial services had recently been secured. The Business Operations Manager also informed the Committee that a number of contracts had been picked up by Gwalia Housing Society with the possibility of additional contracts being entered into.

The Corporate Procurement Manager reported on the performance against the service performance indicators in relation to product availability; stockholding value and debt management compared to the same period in the previous year. He informed the Committee that stockholding had increased due to the new business which had been picked up and was at 12.4 weeks (£681k). Debt management had increased, however a Member of staff had now been dedicated to chasing up debts. He outlined the order breakdown by value banding in 2014/15 and there was a move to shift to higher value orders.

The Head of Procurement of Caerphilly County Borough Council questioned the high value of the stockholding and stated that there was a need to avoid it becoming old stock and for stock levels to be kept as lean as possible. The Business Operations Manager informed the Joint Committee that a review of stockholding was undertaken regularly and the price of slow moving stock was reduced. He stated that due to the closure of Cardiff Supplies, the Joint Supplies Service took advantage of purchasing stock at lower costs.

The Head of Procurement of Caerphilly County Borough Council requested that the Officer Group receive monthly reports on debt management.

The Corporate Procurement Manager reported on an analysis of sales orders via the e-procurement service portal and a user analysis via the JSS website. The Joint Supplies Service provided a facility for purchase card transactions via the website and by direct contact with County Borough Supplies. In response to a question from a Member of a Member of the Committee on the lack of usage of purchase cards other than in RCT County Borough Council, the Procurement Officer of Merthyr Tydfil County Council stated that they had concentrated on rolling out purchase cards corporately. The Head of Procurement informed the Joint Committee that Caerphilly County Borough Council had an embedded e-procurement strategy rather than using purchase cards. The Service Director Procurement informed the Committee of the approach undertaken by RCT County Borough Council in relation to the use of purchase cards whereby e-invoicing had eliminated hard copy invoicing.

The Corporate Procurement Manager informed the Joint Committee of the sickness absence levels in the JSS which was an average of 13.5 days per person (5.4 excluding long term). He outlined an analysis of sickness levels by staff group and for April/May 2014 there had been 43 days absence which equated to 1.54 days per person. He stated that absence levels due to sickness had been reduced due to more robust monitoring with average sickness across Bridgend County Borough Council being 0.71 days per person,

0.68 days for Legal and Regulatory Services and 0.63 days in the Joint Supplies Service. Sickness had been reduced over the last 12 months but it remained unacceptably high.

Members of the Joint Committee were pleased to see the reduction in sickness levels across the Joint Supplies Service and requested a breakdown of both long term and short term sickness, by gender and the reasons for sickness. The Joint Committee considered whether the reasons for the high level of sickness in the warehouse was attributable to the current working conditions and requested a Committee visit to view the facilities at County Borough Supplies.

The Corporate Procurement Manager reported on the Officers authorised to enter into contracts for the purchase of goods and services and the proposed revised levels of responsibility per post.

The Corporate Procurement Manager also reported on debt management which had been discussed earlier, noting it had substantially improved since the return to work of an officer who together with assistance provided by joint officers had helped to resolve issues within their own authorities. Outstanding debt over 120 days currently formed 0.26% of total outstanding debt as at the 16 June 2014.

The Corporate Procurement Manager reported on the award of contracts, in that County Borough Supplies had been awarded inclusion on the supply of educational aids and supply of janitorial and cleaning Cardiff framework contracts since the closure of Cardiff Supplies. In addition, the service had been working closely with Group Gwalia, the largest housing association in Wales, based in Swansea in relation to the supply arrangements of various product ranges. The service had also been awarded twelve month contracts for the supply of catering supplies and arts and crafts via the national public sector e-procurement service, with potential for award of further supplies areas in the future.

- RESOLVED: (1) That the report be noted.  
(2) The JSS Officers be authorised to enter into contracts as set out.

58 EXCLUSION OF THE PUBLIC

RESOLVED: That under Section 100A(4) of the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation)(Wales) Order 2007 that the public be excluded from the meeting during consideration of the following item as the report contained exempt information as defined by Paragraph 14 of Part 4 and Paragraph 21 of Part 5 of Schedule 12A of the Act.

Following the application of the public interest test it was resolved that pursuant to the Act referred to above to consider the confidential report of the Officer Group in private with the public excluded from the meeting as it was considered that in the circumstances the public interest in maintaining this exemption outweighed the public interest in disclosing the information because of the prejudice disclosure would cause to the individuals concerned by virtue of Paragraph 14 of Part 4 and Paragraph 21 of Part 5 of Schedule 12A of the Act.

Minute No.      Summary of Item:

59                  Business Plan for the Joint Supplies Service.



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## BRIDGEND COUNTY BOROUGH COUNCIL

### REPORT OF THE TREASURER

#### CATALOGUE SUPPLIES SERVICE JOINT COMMITTEE

THURSDAY 26 JUNE 2014

#### STATEMENT OF ACCOUNTS 2013-14

##### 1. Purpose of the Report

- 1.1 The purpose of this report is to present the unaudited Statement of Accounts for the financial year ended 31 March 2014 to the Joint Committee.

##### 2. Connection to Corporate Improvement Objectives/ Other Corporate Priorities

- 2.1 None

##### 3. Background

- 3.1 The Accounts and Audit (Wales) Regulation 2005 (as amended) require that the Joint Committee must sign and date the accounts by 30<sup>th</sup> June and certify that they present a true and fair view. The Joint Committee will then be required to re-approve the accounts as soon as reasonably practicable after the receipt of the auditor's final findings. The audited accounts must be published by no later than the 30<sup>th</sup> September. The format and content of the statement is governed by those regulations and for 2013-14 the accounts have been produced in line with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) for 2013 which is in line with International Financial Reporting Standards.

##### 4. Current Situation /Proposal

- 4.1 The unaudited Statement of Accounts for the financial year ended 31 March 2014 has been completed and is attached as Appendix 1.
- 4.2 The accounts will now be placed on public deposit and be subject to audit by KPMG, the auditors appointed for the Joint Committee by the Wales Audit Office. Once audited, the accounts will need to be approved by the Joint Committee by the 30 September 2014, and will be presented to the next Committee meeting on 25<sup>th</sup> September 2014 for approval.

- 4.3 The accounts show that in 2013-14 Catalogue Supplies made a net surplus of £176,000 as reported in the Comprehensive Income and Expenditure Statement. This includes an adjustment in respect of holiday entitlements as required by accounting practise. The accumulated usable reserve for the Catalogue Supplies service is £1.008millionat the 31 March 2014 compared to £833,000 in the preceding year.
- 4.4 For reporting consistency, the actual performance for the year is also provided in the format in which information is normally reported to the Joint Committee. This 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 2014 (excluding holiday accruals) showed a surplus in the year of £176,000. For 2013-14 this is the same as the surplus figure reported in the Comprehensive Income and Expenditure Account which although included an adjustment in respect of holiday entitlements the movement had a net effect in the year on the surplus.
- 4.5 The following table provides a summary of the financial position for the Catalogue Supplies service for 2013-14 as compared to the budget set at the start of the financial year.

<b>Actual 2012-13 £000</b>	<b>Income</b>	<b>Budget 2013-14 £000</b>	<b>Actual 2013-14 £000</b>	<b>Variance 2013-14 £000</b>
(1,377)	Catalogue Sales (net)	(1,200)	(1,272)	(72)
(125)	Other income*	(105)	(121)	(16)
	Financing Investment & Income	-	(1)	(1)
<b>(1,502)</b>	<b>Total Income</b>	<b>(1,305)</b>	<b>(1,394)</b>	<b>(89)</b>
	<b>Expenditure</b>			
903	Employees	813	792	(21)
100	Premises	94	99	5
104	Transport	110	126	16
176	Supplies & Services	145	140	(5)
17	Third Party Payments	9	9	-
38	Support Services	39	53	14
1	Finance Charges	0	0	-
(2)	Increase/(Decrease) in Provisions-(Bad Debt & Stock Obsolescence)		(1)	(1)
<b>1,337</b>	<b>Total Expenditure</b>	<b>1,210</b>	<b>1,218</b>	<b>8</b>
<b>(165)</b>	<b>(SURPLUS)/ DEFICIT FOR YEAR</b>	<b>(95)</b>	<b>(176)</b>	<b>(81)</b>

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

The more significant variances are:-

- An over-recovery in Catalogue Sales income of £72,000 as a result of favourable levels of trading experienced in the year together with maintained product margins during the year.
- An over-recovery in Other Income of £16,000 as a result of increased catalogue sponsorships.
- A net underspend of £21,000 on employees' budget as a consequence of three vacant posts and reduced working contract hours of two staff.
- A net overspend of £5,000 on premises costs mainly due to increased day-to-day building maintenance costs.
- A net overspend of £16,000 on transport in respect of External fleet hire costs.
- A net underspend of £5,000 on supplies and services costs as a consequence of a general reduction in running costs.
- A net overspend of £14,000 on support services as a consequence of increased central finance recharges.

\* Other income includes catalogue sponsorship of £86,000, contract (retrospective) rebates of £27,000 and, site recharge income of £8,000.

**5 Effect upon Policy Framework and Procedure Rules**

5.1 There are no implications.

**6. Equalities Impact Assessment**

6.1 There is no impact on specific equality groups and disability duties.

**7. Financial Implications**

7.1 These are reflected in the report and attached Statement of Accounts.

**8. Recommendation**

8.1 The Joint Committee is recommended to note its unaudited Statement of Accounts for 2013-14.

**NESS YOUNG, CPFA  
CORPORATE DIRECTOR RESOURCES, S151 OFFICER  
BRIDGEND COUNTY BOROUGH COUNCIL  
TREASURER TO THE CATALOGUE SUPPLIES SERVICE JOINT  
COMMITTEE**

**26 June 2014**

**Contact Officer:** Frances Mantle Tel No (01656) 643286  
Finance Manager-Technical & Corporate  
[F.Mantle@bridgend.gov.uk](mailto:F.Mantle@bridgend.gov.uk)

**Background Papers:** Statement of Accounts 2013-14

CATALOGUE SUPPLIES SERVICE JOINT COMMITTEE

COUNTY BOROUGH SUPPLIES

STATEMENT OF ACCOUNTS

2013-14



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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 2013-14 have been produced in line with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) for 2013. 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.

There has been no significant changes in requirements since the 2012-13 accounts were prepared.

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 £176k.

**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 2013-14, County Borough Supplies showed a surplus on the Comprehensive Income and Expenditure Statement of £176k.

**3. Balance Sheet**

This shows the Joint Committee's financial position as at 31 March 2014, where the net worth was £1.005M. 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 2014.

**4. Cash Flow Statement**

This explains the financial position in cash terms and shows that the Committee's cash position had increased by £448k.

**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:

<b>Actual 2012-13 £000</b>	<b>Income</b>	<b>Budget 2013-14 £000</b>	<b>Actual 2013-14 £000</b>	<b>Variance 2013-14 £000</b>
(1,377)	Catalogue Sales (net)	(1,200)	(1,272)	(72)
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	Financing Investment & Income	-	(1)	(1)
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1	Finance Charges	-	-	-
(2)	Increase/(Decrease) in Provisions-(Bad Debt & Stock Obsolescence)		(1)	(1)
<b>1,337</b>	<b>Total Expenditure</b>	<b>1,210</b>	<b>1,218</b>	<b>8</b>
<b>(165)</b>	<b>(SURPLUS)/ DEFICIT FOR YEAR</b>	<b>(95)</b>	<b>(176)</b>	<b>(81)</b>

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 2014 showed a surplus of £176k.

For 2013-14 this is the same as the surplus figure reported in the Comprehensive Income and Expenditure Account which although included an adjustment in respect of holiday entitlements the movement had a negligible effect on the year on the surplus balance.

**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 £72k as a result of favourable levels of trading experienced in the year together with maintained product margins during the year.
- An over-recovery in Other Income of £16k as a result of increased catalogue sponsorships.
- A net underspend of £21k on employees' budget as a consequence of three vacant posts and reduced working contract hours of two staff.

- A net overspend of £5k on premises costs mainly due to increased day-to-day building maintenance costs.
- A net overspend of £16k on transport in respect of External fleet hire costs.
- A net underspend of £5k on supplies and services costs as a consequence of a general reduction in running costs.
- A net overspend of £14k on support services as a consequence of increased central finance recharges.

\* Other income includes catalogue sponsorship of £86k, contract (retrospective) rebates of £27k, site recharge income of £8k.

- 3.2 The level of gross sales increased from £6.112M in 2012-13 to £6.557M (+7.28%) in 2013-14. The increase in turnover in 2013-14 is due to a number of factors: closure of the Cardiff Supplies services in 2014 and subsequent increase in turnover noticeably from the education sector, an increase in spend resulting from the Welsh Government Flying Start Initiative funding received by Local Authorities and a continuation of project refurbishment work across all Authorities. In addition to this, the Easter period fell on the cusp of the 2012-13 financial year, with no Easter period falling in the 2013-14 financial year. As a result the JSS experienced an additional period of activity (one week) from the school sector during March 2014.

Gross margins of 19.4% were lower than the 22.53% in 2012-13, due to the effect of the changed catalogue price strategy in 2013-14 which saw a reduction in prices within designated product categories. The net assets of the Joint Supplies Service (JSS) stood at £1.005M as at 31 March 2014 (£830k as at 31 March 2013).

### **Use of Surpluses**

- 3.3 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 2013-14 of £176k has been offset with a transfer to the reserve account (£165k surplus in 2012-13).

### **Future Development**

- 3.4 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.
- 3.5 An update on the Development Action Plan is regularly reported to the Joint Committee.

3.6 There is a need to re-locate the Service to new premises in August 2015, due to the poor condition of the existing office and warehouse accommodation and wider proposals to develop the whole Waterton site. This will impact on the timing of certain elements of the modernisation agenda which relate to the warehousing function, specifically renewal of warehouse IT infrastructure to support product barcoding and the renewal of internal forklift/reach trucks, the size of which will be determined by new premises.

The cost implications of this will be included in the new Business Plan which is currently being developed.

**4. Changes in Accounting Policies**

In 2013-14 there was a voluntary change to the calculation of inventory turnover which was calculated on average inventory held, instead of closing inventory. In addition when calculating the number of days an inventory item was held the cost of sales has been calculated on stock held in the warehouse only and excludes catalogue direct items which are sent directly by the supplier to the customer. This is a change to the way inventory days were calculated in 2012-13 and as such the 2012-13 inventory days figure has been restated to reflect the change in policy. Applying the new policy will provide reliable and more relevant information on inventory turnover.

**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 2014-15 as the service has been successful in attracting new customers. 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 (NPS) adopts, this is expected to occur in 2014-15. The National Procurement Service has been established to provide call off contracts for areas of common and repetitive spend across Wales and many of the areas within its remit cut across the product range provided by the JSS. It is noted that support for the JSS remains high from the four partner Authorities and the NPS will focus mainly on corporate rather than educational requirements, thereby reducing the impact. Options for the JSS to act as a distribution outlet for the NPS are also being considered.

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 decreased from 51 days to 48 days.<sup>1</sup>

Since inventory turnover is associated with the cost of sales and average inventory, changes in either cost of sales or inventory can cause a change in the amount of inventory days. The decrease in inventory days in 2013-14 is as a

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<sup>1</sup>  $\frac{\text{Average Stocks}}{\text{Cost of Sales(excluding catalogue direct)}} \times 365$

result of an increased cost of sales compared to 2012-13 and a reduction in average stock held which in this case is a negative for performance which is evident from the decrease in gross profit margin reported in paragraph 3.2.

Debtor Days

The average number of days for which a debt is outstanding has increased compared to the previous year. The increase is from 27 days in 2012-13 to 28 days in 2013-14.<sup>2</sup>

Activity Measure

7. As a measure of activity, the number of active customers served on an establishment basis was 1,993 and the number of transactions during the year was 267,395 from 43,885 orders.

By comparison, in 2012-13, the number of customers served on an individual order basis was 1,843 and the number of transactions during the year was 263,868 from 42,749 orders. The increase in 2013-14 in the customer base stems from the additional customers in the Cardiff and Vale of Glam educational sector.

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<sup>2</sup>  $\frac{\text{Average Debtors}}{\text{Sales}} \times 365$

## 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 2014 was approved by the Committee of 25 September 2014.

**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 2014.

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 2014.

**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 2014 and of its income and expenditure for the year ended 31 March 2014.

**Signed :**

**Corporate Director-Resources - and Section 151 Officer**

**Date :**

## The Annual Governance Statement 2013-14

### 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 make arrangements 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 "Programme for Government".

- 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).
- 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 avoid inappropriate use or loss of public funds. It also assists with managing the risk of failure to achieve policies, aims and objectives. 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 2014. 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 Plan 2013–2017. The Corporate Plan includes Improvement Priorities which are aligned with the key outcomes of the Local Service Board's 'Bridgend County Together' Single Integrated Partnership Plan. This ensures that the Council is able to deliver on the commitments made with partner organisations.



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 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. Its Rules of Procedure govern the overall framework within which the Council operates. Procedural rules and codes of conduct outline how the Constitution will be put into effect. Whilst the Constitution is required by statute its content is not fully prescribed. The Council is satisfied that it is consistent with statute, regulations and guidance. 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.

It defines the roles and responsibilities of the Cabinet (as Executive), the Scrutiny Committee which holds the Cabinet to account, Full Council and other Committees and Officers. The Scrutiny Committees' functions provide a further mechanism for review and challenge of any issues that may impact upon the system of internal control. 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 by Town and Community Councillors and County Borough Councillors, co-opted members and Church and Parent Governor Representatives.

### 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. Most major risks are managed within one of the key strategic programmes. CMB regularly reviews the risk register and actions being taken to mitigate the risks. The Corporate Risk Register is also presented to Audit Committee for review.
- 3.1.6 The Council's approach to Risk Management ensures that key risks are considered when determining Council priorities, targets and objectives. These are incorporated into the Directorates' Business Plans and from 1 April 2014 into Service Plans too.

## **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 three times a year 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 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) which links the Council's vision of "Working together to improve lives" through services delivered at the frontline of the Council and how external factors influence the vision. This is known as the 'Golden Thread' for planning.
- 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 with the Cabinet lead on the implementation of the Medium Term financial strategy (MTFS) 2013-14 to 2016-17 underpinned by financial and performance data. This has now been rolled forward a year to cover the period 2014-15 to 2017-18 taking account of auditors' views and any issues which need to be addressed from 2013-14, together with a continued desire to embed a culture of medium term financial planning closely aligned with corporate planning.
- A Corporate Performance Assessment (CPA) forum to enable Cabinet, CMB and Heads of Service to :
  - ❖ Obtain a holistic view of the Council's performance;
  - ❖ Identify and explore cross-cutting issues and overspends that affect more than one area;
  - ❖ Critically challenge areas of poor performance; and
  - ❖ Identify service improvement opportunities, risks to delivery and resource implications.

This CPA achieve this through monitoring the Council's improvement priorities as defined by the Corporate Plan; agreed key indicators/measures and service actions that are linked to directorate priorities as defined by the Corporate Plan; the budget allocated to delivering improvement priorities; and Corporate risks.

- 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 three 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 August 2013) as part of their 2013-14 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 September 2013. County Borough Supplies are audited on a regular basis and the next internal audit review is planned for 2014-15.

**5. Significant Governance Issues**

- 5.1 No significant issues were identified during 2013-14 as a result of the review of arrangements.
- 5.2 The governance of the Joint Supplies Service (JSS) has changed considerably over the last 2 years with an increased 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.
- 5.3 A restructuring of the organisation was undertaken in 2012-13 with a recognition at the time 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. With a view to continuing to improve upon efficiencies within the service some minor internal changes are being proposed to the service structure to reflect two senior officers leaving the service and the increased volume of work/business resulting from the closure of Cardiff Supplies.

**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.....

**Corporate Procurement Manager – J Ferris**

## Statement of Accounting Policies

### 1. General principles

The Statement of Accounts summarises the Committee's transactions for the 2013-14 financial year and its position at the year end of 31 March 2014. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code) 2013-14 and the *Service Reporting Code of Practice (SeRCOP)* 2013-14 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 2013-14 (SeRCOP)*. For 2013-14, 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, Human Resources, Legal Services, 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 16 to the financial statements), and their costs are recharged. Staff participate in the Rhondda Cynon Taf County Borough Council Pension Fund which is a local Government defined benefit scheme. 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. In 2013-14 interest was received on the surplus balance at a rate of 1.5%.

## **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 2013-14

**Movement in Reserves Statement For Years Ended 31 March 2013 & 2014**

	Accumulated Surplus Balance £'000	Earmarked Reserves £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Committee Reserves £'000	Notes
<b>Balance at 31 March 2012</b>	510.4	157.6	668	3.8	671.8	
<b><u>Movement in reserves during 2012-13</u></b>						
Surplus or (deficit) on provision of services	158	-	158	-	158	
<b>Total Comprehensive Expenditure and Income</b>	<b>158</b>	<b>-</b>	<b>158</b>	<b>-</b>	<b>158</b>	
Adjustments between accounting basis & funding basis under regulations	6.7	-	6.7	(6.7)	-	1
<b>Net Increase/ (Decrease) before Transfers to Earmarked Reserve</b>	<b>164.7</b>	<b>0</b>	<b>164.7</b>	<b>(6.7)</b>	<b>158</b>	
Transfers to/from Earmarked Reserve	69.6	(69.6)	-	-	-	13,14
<b>Increase/(Decrease) in 2012-13</b>	<b>234.3</b>	<b>(69.6)</b>	<b>164.7</b>	<b>(6.7)</b>	<b>158</b>	
<b>Balance at 31 March 2013 carried forward</b>	<b>744.7</b>	<b>88</b>	<b>832.7</b>	<b>(2.9)</b>	<b>829.8</b>	
<b><u>Movement in reserves during 2013-14</u></b>						
Surplus or (deficit) on provision of services	175.6	-	175.6	-	175.6	
<b>Total Comprehensive Expenditure and Income</b>	<b>175.6</b>	<b>-</b>	<b>175.6</b>	<b>-</b>	<b>175.6</b>	
Adjustments between accounting basis & funding basis under regulations	0.1	-	0.1	(0.1)	-	1
<b>Net Increase/ (Decrease) before Transfers to Earmarked Reserve</b>	<b>175.7</b>	<b>-</b>	<b>175.7</b>	<b>(0.1)</b>	<b>175.7</b>	
Transfers to/from Earmarked Reserve	-	-	-	-	-	13,14
<b>Increase/(Decrease) in 2013-14</b>	<b>175.7</b>	<b>-</b>	<b>175.7</b>	<b>(0.1)</b>	<b>175.7</b>	
<b>Balance at 31 March 2014 carried forward</b>	<b>920.4</b>	<b>88</b>	<b>1,008.4</b>	<b>(3)</b>	<b>1,005.4</b>	

## Comprehensive Income and Expenditure Statement 2013-14

2012-13			Description	2013-14			Notes
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	
910		910	Staff Costs	792		792	(2,3)
100		100	Premises	99		99	
104		104	Transport	126		126	
176		176	Supplies & Services	139		139	
17		17	Third Party Payments	9		9	
38		38	Support Services	53		53	4
	(2)	(2)	Bad Debt Provision		(1)	(1)	5
<b>1,345</b>	<b>(2)</b>	<b>1,343</b>	<b>Operating Expenditure</b>	<b>1,219</b>	<b>(1)</b>	<b>1,218</b>	
1	-	1	Interest payable on debt/(receivable on balances)	(1)	-	(1)	6
<b>1</b>	<b>-</b>	<b>1</b>	<b>Financing &amp; Investment Income / Expenditure</b>	<b>(1)</b>	<b>-</b>	<b>(1)</b>	
			<b>Income</b>				
	(6,112)	(6,112)	Turnover (Sales)		(6,557)	(6,557)	
			Less cost of Sales:				
439			Opening Stock	449			
4,745			Plus Purchases	5,251			
(449)		4,735	Less Closing Stock	(415)		5,285	
4,735	(6,112)	(1,377)	Gross Profit	5,285	(6,557)	(1,272)	
-	(125)	(125)	Other Income	-	(121)	(121)	7
<b>6,081</b>	<b>(6,239)</b>	<b>(158)</b>	<b>(Surplus) / Deficit on provision of service</b>	<b>6,503</b>	<b>(6,679)</b>	<b>(176)</b>	

## Balance Sheet for Years Ended 31 March 2013 and 2014

31 March 2013 £'000	Description	31 March 2014 £'000	Notes
449	Inventories	415	8
652	Short Term Debtors	899	9
-	Cash	425	10
<b>1,101</b>	<b>Current Assets</b>	<b>1,739</b>	
(23)	Cash Overdrawn	-	10
(28)	Provisions	(24)	(5,11)
(220)	Short Term Creditors	(710)	12
<b>(271)</b>	<b>Current Liabilities</b>	<b>(734)</b>	
<b>830</b>	<b>Net Assets</b>	<b>1,005</b>	
	<b>Usable reserves</b>		
745	Accumulated Surplus	920	13
88	Earmarked Reserve	88	13
	<b>Unusable reserves</b>		
(3)	Short-term Accumulating Compensated Absences Account	(3)	14
<b>830</b>	<b>Total Reserves</b>	<b>1,005</b>	

**Cash Flow Statement as at 31 March 2013 and 31 March 2014**

2012-13 £'000		2013-14 £'000	Notes
(158)	Net (surplus) or deficit on the provision of services	(176)	
53	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(272)	
<b>(105)</b>	<b>Net cash flows from Operating Activities</b>	<b>(448)</b>	<b>15</b>
<b>(105)</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>(448)</b>	
128	Cash and cash equivalents at the beginning of the reporting period	23	
<b>23</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>(425)</b>	<b>10</b>



# **Notes to the Core Financial Statements 2013-14**



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21.	Amounts Reported for Resource Allocation Decisions	39

## 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 2012-13 for comparative purposes and the adjustments for 2013-14:-

<u>2012-13</u>	Accumulated Surplus Fund Balance £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Short term Compensated Absences £'000	Total Reserves £'000
<b>Adjustments primarily involving the Accumulated Absences Account :</b>					
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)	-
<b>Total Adjustments 2012-13</b>	<b>7</b>	<b>7</b>	<b>(7)</b>	<b>(7)</b>	<b>-</b>

	Accumulated Surplus Fund	Total Usable Reserves	Unusable Reserves	Short term Compensated Absences	Total Reserves
<u>2013-14</u>	Balance	Reserves			Reserves
	£'000	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Accumulated Absences Account :</b>					
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	0.1	0.1	(0.1)	(0.1)	-
<b>Total Adjustments 2013-14</b>	<b>0.1</b>	<b>0.1</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>-</b>

## 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 2013-14 (or 2012-13).

The Code of Practice 2013-14 requires that the Joint Supplies Service disclose the number and cost of exit packages agreed. No exit packages were agreed during 2013-14. Exit packages in the previous year 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 £	
	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14
<b>£0 - £20,000</b>								-
<b>£20,001 - £40,000</b>	-	-	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 £89,808 (£101,630 in 2012-13). 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: -

<b>Description</b>	<b>2012-13 £</b>	<b>2013-14 £</b>
Accountancy/IT	14,950	25,300
Creditors / Purchasing	2,130	1,510
Internal Audit	2,970	5,340
Human Resources	9230	7,860
Legal Services	1300	1,310
Purchasing	7840	11,470
<b>TOTAL</b>	<b>38,420</b>	<b>52,790</b>

Recharges are calculated on data from the preceding period. In 2012-13 a decision was made not to recharge the element of 'IT' costs in view that County Borough Supplies had already invested significantly in new PC's in that year which included an element of support and licencing costs which had been paid directly by the service . In 2013-14 the 'Accountancy/IT' recharge component consisted of £10,350 in relation to 'IT' support services which includes broadband network, communications, server storing and user support services.

Support services costs of £93k in 2013-14 (£93k in 2012-13) 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.

<b>2012-13 £'000</b>	<b>Movements during the year</b>	<b>2013-14 £'000</b>
(12)	Opening Balance	(5)
5	Write-offs	3
2	Decrease in provision to revenue	1
<b>(5)</b>	<b>Closing Balance</b>	<b>(1)</b>

**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%. Due to favourable cash flow during 2013-14 year, the Joint Committee received financing income of £874. Financing costs for 2012-13 amounted to £1,330.

**7. Other Income**

Other income includes catalogue sponsorship of £86k (£87k in 2012-13), contract rebates of £27k (£29k in 2012-13), site recharge income of £8k (£7k in 2012-13) . In addition, in 2012-13 there was income of £2k in respect of a one-off Inventory Data recharge.

## 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.

2012-13 £'000	Inventories	2013-14 £'000
439	Balance outstanding at start of year	449
3,210	Purchases	3,286
(3,199)	Recognised as an expense in the year	(3312)
(1)	Written off balances	(8)
<b>449</b>	<b>Balance outstanding at year-end</b>	<b>415</b>

### 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:

2012-13 £'000	Short Term Debtors	2013-14 £'000
523	Other Local Authorities	745
129	Other Entities & Individuals	154
<b>652</b>		<b>899</b>

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

2012-13 £'000	Description	2013-14 £'000
652	Sundry Debtors	899
-	Accumulated absences	-
<b>652</b>	<b>Total</b>	<b>899</b>

### 10. Analysis of Changes in Cash during the Year

	Bal B/F 01/04/13 £'000	Bal C/F 31/03/14 £'000	Change During Year £'000
Cash at Bank (Overdraft)	(23)	425	448

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 2012-13) 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 2014.

2012-13 £000	Movements during the year	2013-14 £000
(23)	Opening Balance	(23)
-	Write-offs	-
-	Contribution to/(from) revenue	-
<b>(23)</b>	<b>Closing Balance</b>	<b>(23)</b>

### 12. Short Term Creditors

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

2012-13 £'000	Short Term Creditors	2013-14 £'000
100	Central Government Bodies	143
34	Local Authorities	44
86	Other Entities & Individuals	523
<b>220</b>		<b>710</b>

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

2012-13 £000	Description	2013-14 £000
35	Customer Accounts in Credit	42
82	Reserved Creditors	522
100	H.M.R.C. – Other Taxes -V.A.T.	143
3	Accumulated absences	3
<b>220</b>	<b>Total</b>	<b>710</b>

### 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:

2012-13 £'000		2013-14 £'000
510	Balance Brought Forward	745
70	Transfer (to)/from earmarked reserve for service modernisation	-
158	Surplus/ (Deficit) for year	176
7	Transfer between reserves	-
<b>745</b>	<b>Balance Carried Forward</b>	<b>920</b>

**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. The 2013-14 reserve remains unchanged as development work is on hold pending future relocation of the service.

2012-13 £'000		2013-14 £'000
158	Balance Brought Forward	88
0	Use of earmarked reserve to fund service initiatives	-
(70)	Increase/ (Decrease) in Reserve	-
<b>88</b>	<b>Balance Carried Forward</b>	<b>88</b>

**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.



2012-13			2013-14	
£'000	£'000		£'000	£'000
	3.8	<b>Balance as at 1 April</b>		(2.9)
(3.8)		Settlement or cancellation of accrual made at the end of the proceeding year	2.9	
(2.9)		Amounts accrued at the end of the current year	(3)	
	(6.7)	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		(0.1)
	<b>(2.9)</b>	<b>Balance as at 31 March</b>		<b>(3)</b>

### 15. Operating Activities

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

2012-13		2013-14
£'000		£'000
(158)	Net (surplus) or deficit on the provision of services	(176)
	<u>Accruals adjustments:</u>	
10	Increase/(Decrease) in Inventories	(34)
(60)	Increase/(Decrease) in Debtors/Provisions	252
110	(Increase)/Decrease in Creditors/Provisions	(490)
(7)	Movement on provisions for accumulated absences	-
<b>(105)</b>		<b>(448)</b>

### 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 2012-13 there were 5 permanent staff employed who had been seconded on local government re-organisation in 1996 from Bridgend (1), Caerphilly (2) & Rhondda Cynon Taff C.B.C (2). Following a formal consultation process all remaining seconded staff were transferred to BCBC terms and conditions in May 2013.

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

There are 29 staff (31 in 2012-13 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 8 staff employed from agencies (4.13 in 2012-13). Included in agency staff employed in 2013-14, were six agency workers engaged as drivers to meet the demands of the additional turnover experienced in the warehouse and to cover one long term absence. 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	2012-13			2013-14		
	Debtors	Creditors	Net	Debtors	Creditors	Net
	£'000	£'000	£'000	£'000	£'000	£'000
Merthyr C.B.C	58	(1)	57	39	(2)	37
Bridgend C.B.C	105	(7)	98	119	(18)	101
Caerphilly C.B.C	93	(2)	91	147	(6)	141
Rhondda Cynon Taf C.B.C	232	(21)	211	220	(14)	206
<b>Total Related Parties</b>	<b>488</b>	<b>(31)</b>	<b>457</b>	<b>525</b>	<b>(40)</b>	<b>485</b>

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

Related Parties Turnover (Sales)	2012-13 £'000	2013-14 £'000
Merthyr C.B.C	432	417
Bridgend C.B.C	1,223	1,250
Caerphilly C.B.C	1,417	1,577
Rhondda Cynon Taf C.B.C	2,239	2,205
<b>Total Related Parties Turnover</b>	<b>5,311</b>	<b>5,449</b>

There were no other material balances at the year end.

**17. External audit costs**

In 2013-14 the JSS incurred the following fees relating to external audit and inspection charged by the Wales Audit Office:-

2012-13 £	Description	2013-14 £
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 2014		31 March 2013	
		Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Short-term creditors	<b>12</b>	(710)	(710)	(220)	(220)
Cash at Bank (Overdraft)	<b>10</b>	425	425	(23)	(23)
Short-term debtors	<b>9</b>	899	899	652	652
		<b>614</b>	<b>614</b>	<b>409</b>	<b>409</b>

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 receivable on the year-end balance of £425,000 by £2k.

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:

<b>Catalogue Supplies Service Income and Expenditure</b>	<b>2012-13 £'000</b>	<b>2013-14 £'000</b>
Fees, charges & other service income	(1,502)	(1,393)
<b>Total Income</b>	<b>(1,502)</b>	
Employee expenses	903	792
Other operating expenses	396	372
Support Service Recharges	38	53
<b>Total operating expenses</b>	<b>1,337</b>	<b>1,217</b>
<b>Net Cost of Services</b>	<b>(165)</b>	<b>(176)</b>

**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 :-

<b>Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>2012-13</b>	<b>2013-14</b>
	<b>£'000</b>	<b>£'000</b>
Cost of Services in Service Analysis	<b>(165)</b>	<b>(175.6)</b>
Add amounts not reported to management	7	(0.1)
<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>(158)</b>	<b>175.7</b>

## **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.



Audit report of the Appointed Auditor to the Joint  
Committee  
To be added after the audit

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## BRIDGEND COUNTY BOROUGH COUNCIL

### CATALOGUE SUPPLIES SERVICE JOINT COMMITTEE

26 JUNE 2014

#### REPORT OF THE ASSISTANT CHIEF EXECUTIVE – LEGAL AND REGULATORY SERVICES

#### SERVICE TRADING AND OPERATIONAL PERFORMANCE

### 1. Purpose of Report

The purpose of the report is to advise Members of the Service trading and operational performance for the financial year 2013-14 together with the financial year to date.

### 2. Connection to Corporate Improvement Plan / Other Corporate Priorities.

2.1 The Joint Supplies Service (JSS) 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.

### 3. Background

3.1 The JSS provides a single source supplies facility for each of the partnering Authorities, through delivery via stores and a direct sourcing function for items of common and repetitive spend. It demonstrates savings to customers and schools through economies of scale.

### 4. Current situation/proposal

#### 4.1 Performance Review – 2013-14

##### 4.1.1 Service Turnover 2013-14

The value of sales turnover for the last financial year, as measured against the sales target (together with comparison to the same period the previous year) is outlined below.

4.1.2 Final turnover for the year has seen a favourable increase against both target and the previous financial year due to the continuation of project work

undertaken by the majority of authorities, an increase in business from the Cardiff educational sector due to the announcement of the forthcoming closure of Cardiff Supplies and an increase in turnover from the Welsh Government funded Flying Start initiative.

4.1.3 The effect of the changed catalogue price strategy last year, with a reduction in prices within designated stocked product categories and a subsequent expected reduction in turnover, did not affect final overall turnover. However, this may be partly attributable to the Easter holiday period falling favourably outside the last financial year.

4.1.4 As reflected in the report on the Statement of Accounts for 2013/14, the organisation attained a trading surplus of £176,000 during the year to support the financial objectives of the JSS, increasing overall surpluses of the Service to £1,005,000.

**Table 1: Turnover 2013-14 (Order book)**

	<b>Actual Full Year 2012/13</b>	<b>Target Full Year 2013/14</b>	<b>Actual Full Year 2013/14</b>	<b>% Actual to target</b>
	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	
Catalogue Stores	4,312	4,315	4,393	+1.81%
Catalogue Direct	1,849	1,830	2,158	+17.92%
<b>Totals</b>	<b>6,161</b>	<b>6,145</b>	<b>6,551</b>	<b>+6.61%</b>

**Table 2: Turnover (Order book) by Customer Area 2013-14**

<b>Year</b>	<b>Bridgend</b>	<b>Caerphilly</b>	<b>Merthyr Tydfil</b>	<b>Rhondda Cynon Taf</b>
	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>
2013/14	1,250	1,577	417	2,205
2012/13	1,205	1,444	445	2,244

<b>Year</b>	<b>Cardiff</b>	<b>Neath-Port Talbot</b>	<b>Swansea</b>	<b>Vale of Glamorgan</b>	<b>Other</b>
	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>
2013/14	515	93	125	148	221
2012/13	225	88	127	120	263

### Service Turnover - April/May 2014-15

The first two-month trading period has provided a positive outcome with growth to target, reflecting the late Easter holiday period and the subsequent delay of educational budgets for some local authority areas. The June/July months are, historically, the most demanding, primarily from the schools sector with approximately 25% of total catalogue-stores turnover for the year being realised during the period.

**Table 3: Turnover to 31 May 2014 (Order book)**

	<b>Actual April-May 2013/14</b>	<b>Target April- May 2014/15</b>	<b>Actual April-May 2014/15</b>	<b>% Actual to target</b>
	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	
Catalogue Stores	726	661	670	+1.36%
Catalogue Direct	252	236	170	-27.97%
<b>Totals</b>	<b>978</b>	<b>897</b>	<b>840</b>	<b>-6.35%</b>

**Table 4: Turnover (Order book) – Full Year Comparison**

	<b>Actual 2013/14</b>	<b>Full-Year Target 2014/15</b>	<b>Actual (to Week 09 2014/15</b>	<b>Variance</b>	<b>% of Target to be achieved in remaining 43 wks</b>
	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£'000</b>	
Total	6,551	6,177	840	-5,337	86%

**Table 5: Turnover (Order book) by Customer Area (to May 2013 and 2014)**

<b>Year</b>	<b>Bridgend</b>	<b>Caerphilly</b>	<b>Merthyr Tydfil</b>	<b>Rhondda Cynon Taf</b>
	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>
2014/15	159	187	51	268
2013/14	194	250	86	337

<b>Year</b>	<b>Cardiff</b>	<b>Neath-Port Talbot</b>	<b>Swansea</b>	<b>Vale of Glamorgan</b>	<b>Other</b>
	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>
2014/15	76	10	15	34	41
2013/14	34	16	19	20	27

**Table 6 – Category Turnover – 2013-14**

Product Category	2011/12 £'000	2012/13 £'000	2013/14 £'000	%Variation (to previous year)	Income Recovery 2013/14 £'000
Art & Craft	615	619	626	+1.13%	136
Audio Visual	74	21	26	+23.81%	3
Books & Paper	957	945	913	-3.39%	164
Canteen & Cutlery	62	60	68	+13.33%	17
Carpets, Curtains & Textiles	293	230	165	-28.26%	25
Computer Supplies	15	18	15	-16.67%	4
Schools Early Years	206	265	412	+55.47%	58
Electrical	157	169	109	-35.50%	24
First Aid Equipment	150	147	150	+2.04%	63
Janitorial	1368	1472	1539	+4.55%	367
Protective Clothing	99	106	85	-19.81%	29
Residential Furniture	42	105	73	-30.48%	8
Schools/Office Furniture	1095	891	1137	+27.61%	122
Sports Supplies	110	101	126	+24.75%	24
Stationery & Office Equipment	948	1020	1107	+8.53%	242
<b>Total</b>	<b>6191</b>	<b>6169</b>	<b>6551</b>	<b>+6.19%</b>	<b>1286</b>

#### 4.1.2 Summary Financial Position at 31st May 2014.

4.1.2.1 A summary of revenue budget expenditure/income for the financial year to 31 May 2014 is provided below for information.

**Table 7- Comparison of budget against projected spend at 31st May 2014**

Expenditure Group	Budget 2014/15  £,000	Adjusted Actual to 31 May 2014  £,000	Projected Outturn 2014/15  £,000	Projected Over/(Under) Spend 2014/15 £,000
Employees	821	128	801	(20)
Premises	112	18	112	0
Transport	113	19	113	0
Supplies/Services	146	22	152	6
Third Party Payments	25	4	25	
Finance/Support Services	51	9	51	0
<b>Total Expenditure</b>	<b>1,268</b>	<b>200</b>	<b>1,254</b>	<b>(14)</b>
Trading	(1,253)	(315)	(1,253)	0
Non Trading	(110)	(18)	(110)	0
<b>Total Net Income</b>	<b>(1,363)</b>	<b>(333)</b>	<b>(1,363)</b>	<b>0</b>
<b>Deficit/(Surplus)</b>	<b>(95)</b>	<b>(133)</b>	<b>(109)</b>	<b>(14)</b>

4.1.2.2 Expenditure during the first two months is generally as anticipated, with exceptions in an overall decrease in Employees due to decreased staff / increased agency costs and an increase in Supplies/Services due to re-costing of annual external Audit fees.

4.1.2.3 The accumulated reserves of the Joint Service were £1,005,000 at the 31<sup>st</sup> March 2014, which are projected to increase to £1,114,000 gross at the 31<sup>st</sup> March 2015, reflecting expected trading performance during the year.

#### 4.1.3 Service Performance Indicators

Monitoring reports are presented to the Joint Committee in relation to core performance indicators of the Service, with the following summary information provided for the financial year to 31 May 2014, together with the final outcomes for 2012-2013 for information.

**Table 8 - Service Performance Indicators 2014-15**

<b>Performance Indicator</b>	<b>Service Target</b>	<b>2012/13 (Full Year)</b>	<b>2013/14 (To 31 May)</b>
<b>Product Availability</b> Average stock level available for customers on first request	96%	96.56%	97.97%
<b>Stockholding Value</b> Average stock value retained during the trading year.	8 weeks stock equivalent	9.8 weeks (£623k)	12.4 weeks (£681k)
<b>Debt Management</b> Owed debt to the JSS during trading year	Not greater than 5.5 weeks credit income	3.9 weeks (Average £502k)	5.1 weeks (Average £472k)

**Table 9 – Order Breakdown by Value Banding 2014-15**

<b>Row Labels</b>		<b>£0 - £25</b>	<b>£26 - £50</b>	<b>£51 - £100</b>	<b>£100 plus</b>	<b>Grand Total</b>
Corporate	No	4,536	2,731	3,079	5,226	15,572
	%	29.13	17.54	19.77	33.56	
Education	No	4,698	4,000	4,979	10,407	24,084
	%	19.51	16.61	20.67	43.21	
Other	No	732	445	424	454	2,055
	%	35.62	21.65	20.63	22.09	
<b>Grand Total</b>	<b>No</b>	<b>9,966</b>	<b>7,176</b>	<b>8,482</b>	<b>16,087</b>	<b>41,711</b>
	<b>%</b>	<b>23.89</b>	<b>17.20</b>	<b>20.34</b>	<b>38.57</b>	

#### 4.1.4 **E-enablement Monitoring**

4.1.4.1 A strategic objective of the JSS, as part of the e-supply programme, is the increase and enhancement of electronic transacting with customers to include e-ordering, e-sales invoicing/payment and e-communications generally, to provide current and easily accessible information and enhanced marketing opportunity.

4.1.4.2 The key components in the development are the JSS interactive web-site, the national public sector eProcurement Service (ePs) portal and the enhancement of the Service back-office IT system.

**Table 10 – Sales Order Analysis**

<b>Transaction Medium</b>	<b>2013-14 (Full Year)</b>	<b>2012-13 (Full Year)</b>
eProcurement Service (ePs)	26.2%	32.3%
JSS Web Site	13.3%	9.7%
Other – e-mail, fax, mail, telephone	60.5%	58.0%

4.1.4.3 eProcurement Service (ePs) Portal  
The national ePs portal is the primary e-trading medium to the JSS at this time, providing an increasing volume of electronic purchase transactions from the four joint authorities, as the facility is rolled-out, as well as other ePs users, primarily from the South Wales area.

Analysis of the customer usage of the portal is provided below.

**Table 11 – ePs User Analysis April 2013 – March 2014**

<b>BCBC</b>	<b>CCBC</b>	<b>MTCBC</b>	<b>RCTCBC</b>	<b>Cardiff</b>	<b>Newport</b>	<b>Swansea</b>	<b>V of G</b>
8%	27.9%	8.0%	48.3%	0.2%	0.2%	3.7%	2.9%

4.1.4.4 JSS Web Site  
The JSS web site provides an interactive, real-time, catalogue product ordering / card payment facility and content information resource available to authorised customers, with the prime target group for the e-trading function being the educational sector and independent customers

4.1.4.5 Turnover usage via the web site has increased steadily during 2013-14, as indicated above, with analysis of the web-site users provided below.

**Table 12 – Web site User Analysis April 2013 – March 2014**

<b>BCBC</b>	<b>CCBC</b>	<b>MTCBC</b>	<b>RCTCBC</b>	<b>Cardiff</b>	<b>NPT</b>	<b>Swansea</b>	<b>V of G</b>	<b>Other</b>
17.1%	19.3%	11.4%	39.9%	3.1%	3.0%	1.5%	3.0%	1.8%



- 4.1.4.6 Purchase Card Transactions  
The JSS provides a facility for payment by Purchase Card via both the on-line web-site and by direct contact with County Borough Supplies (CBS).
- 4.1.4.7 Payment by purchasing card accounted for 4.2% of overall payments during the 2013-14 period to date compared to 2.6% for the full 2012-2013 financial year.

**Table 13 – Purchase Card Usage Analysis April 2013 – March 2014**

BCBC	CCBC	MTCBC	RCTCBC	Other
5.5%	2.9%	Nil	90.8%	0.9%

4.1.5 **Absence Monitoring**

- 4.1.5.1 A summary of sickness absence for the 2013-14 is provided below for information.

**Table 14 - Absence Monitoring 2013-14**

No. of days absence	Average no. of days per person
420 (445)	13.5 (5.4 excl. long-term)
<i>(Previous year in brackets.)</i>	

- 4.1.5.2 The absence level includes five long-term absences (more than 15 days continuous) totalling 298 days within the overall absence of 420 days and compares to 445 days for the previous year. One of the officers has left the Service during the year, with the other officers having returned to work, with one individual having further recurring absence.
- 4.1.5.3 Members have requested an analysis of absence relevant to general post categories and a summary of the figures for 2013-14 is presented below for information

**Table 15 - Staff Group Absence Analysis**

Staff Group	No. of Staff	No. of Absence Days	No. of Staff Sickness Absence	Average No. of Days Absence
Management	3	2	1	0.6
Administrative/Professional	16	182	13	11.4
Warehouse	8	108	5	13.5
Transport	4	128	4	32

4.1.5.4 A summary of the sickness absence for the current financial year to date is provided below.

**Table 16 – Absence Monitoring April/May 2014/15**

No. of Days Absence	Average no. of days per person
43 (88)	1.54 (0.6 excl. long-term)
<i>(Previous year in brackets)</i>	

4.1.5.5 The current year absence includes one long-term absentee, totalling 26 days within the overall absence of 43 days during the first two month period, with the individuals' absence being managed in accordance with the corporate policy guidelines.

4.1.6 **Officers Authorised to enter into Contracts**

4.1.6.1 The Joint Committee annually reviews and authorises the posts within the Service structure which have delegated authority to enter into contracts for the purchase of goods and services, subject to the corporate regulations of the host authority.

4.1.6.2 The operational practice involves the daily ordering of goods and services, of which the majority are included in formal framework contract arrangements.

4.1.6.3 Service requirements have been reviewed and the structure of posts and designated financial levels of responsibility is proposed as below.

Post Designation	Proposed Delegation
JSS Manager (Vacant Post)	All Purposes - £100,000
Materials & Sourcing Manager	All Purposes - £100,000
Business Operations Manager	All Purposes - £100,000
Senior Buyer	Group Purposes - £50,000
Buyer	Group Purposes - £15,000
Purchasing Assistant	Group Purposes - £5,000
Stores – Senior Assistant	Group Purposes - £2,500

4.1.6.4 The Joint Committee is requested to approve the schedule of designated posts

4.1.7 **Debt Management**

4.1.7.1 Further information has previously been requested relating to the JSS long term outstanding debt.

4.1.7.2 The situation regarding aged debt has substantially improved since he return to work of an officer who was previously on long term absence, together with assistance provided by Joint Officers who have helped to resolve issues within their own authorities.

4.1.7.3 Outstanding debt over 120 days currently forms 0.26% of total outstanding debt as at 16<sup>th</sup> June 2014.

Corporate	Education	Outside Authority	Sponsorship
£358 (0.06%)*	£1,115 (0.2%)*	£0 (0.0%)*	£0 (0.0%)*

\* Percentage of overall current outstanding debt at 16<sup>th</sup> June 2014 (£559,805)

4.1.8 **Service Expansion (Award of Contracts)**

4.1.8.1 The Joint Committee were informed at the last meeting of the Service's potential for increased turnover by tendering for supply arrangements previously undertaken by Cardiff Supplies.

4.1.8.2 County Borough Supplies has since been awarded inclusion on the following Cardiff framework contracts:

- Supply of Educational Aids
- Supply for Janitorial and Cleaning

4.1.8.3 In addition, the Service has been working closely with Grwp Gwalia Cyf, the largest housing association in Wales and based in Swansea, in relation to supply arrangements of various product ranges.

4.1.8.4 The organisation has been awarded 12 month contracts for the following supply arrangements, accessible via the national public sector eProcurement Service, with potential for award of further supplies areas in the future:

- Supply of Catering Supplies
- Supply of Arts and Crafts

**5 Effect upon Policy Framework and Procedure Rules**

5.1 None.

**6 Equality Impact Assessment**

6.1 There are no equality implications. .

**7 Financial Implications**

7.1 These are reflected in the body of the report.

**8 Recommendation**

8.1 It is recommended that Members:

- note the content of the report;
- authorise JSS officers to enter into contracts as per the table set out at paragraph 4.1.6.3;

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**Background Documents:**  
None.

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