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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 /
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Direct line / Deialu uniongyrchol: 01656 643148
Ask for / Gofynnwch am: Mr Mark Galvin

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

Date / Dyddiad: 22 Medi 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 CF31 4WB on **Dydd Iau, 25 Medi 2014** at **10.45 am**.

AGENDA

1. Ymddiheuriadau am absenoldeb
To receive apologies for absence.
2. Datganiadau o fuddiant
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 1st September 2008.
3. Cymeradwyaeth Cofnodion 3 - 8
To receive the minutes of a meeting of the Catalogue Supplies Service Joint Committee held on the 26 June 2014.
4. Service Trading and Operational Performance 9 - 18
5. Revised Constitution for the Supplies Service 19 - 56
6. Audited Statement of Accounts 57 - 124
7. Write Off of Unrecoverable Debt 125 - 126
8. Materion Brys
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.

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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The report relating to the following item is not for publication as it contains exempt information as defined in Paragraph 14 of Part 4 and Paragraph 21 of Part 5 of Schedule 12A of the Local Government Act 1972 as amended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. Approval of Exempt Minutes

127 - 128

To receive the exempt minutes of a meeting of the Catalogue Supplies Service Joint Committee held on the 26 June 2014.

Yours faithfully

P A Jolley

Assistant Chief Executive Legal and Regulatory Services

Distribution:

Councillors:

N Clarke
Cllr D Hardacre
B Jones

Councillors

D Jones
D Sage
Cllr B Stephens

Councillors

Wardiau
Cllr P 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.

<u>Minute No.</u>	<u>Summary of Item:</u>
59	Business Plan for the Joint Supplies Service.

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BRIDGEND COUNTY BOROUGH COUNCIL

CATALOGUE SUPPLIES SERVICE JOINT COMMITTEE

REPORT OF THE ASSISTANT CHIEF EXECUTIVE – LEGAL AND REGULATORY SERVICES

25 SEPTEMBER 2014

SERVICE TRADING AND OPERATIONAL PERFORMANCE

1. Purpose of Report

The purpose of the report is to appraise Members of the Service trading and operational performance during the financial year to date.

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

- 2.1 The Joint Supplies Service (JSS) provides a purchasing and supply 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 – April-August 2014/15

4.1.1 Service Turnover

2014/15 April-August (week 22)

As part of the regular reports to the Joint Committee, the value of Service sales turnover for the relevant period, as measured against the sales target (together with comparison to the same period last year) is outlined below.

The five month period has been positive with sales achieving target overall, as summarised in the following tables, with significant growth in the use of the JSS arrangements by schools in the Cardiff and Vale of Glamorgan authority areas.

Table 1: Turnover to August (Order book)

	Actual April-Aug 2013/14	Target April- Aug 2014/15	Actual April-Aug 2014/15	% Actual to target
	£,000	£,000	£,000	
Catalogue Stores	1,947	1,936	2,032	+5.0%
Catalogue Direct	765	720	630	-12.5%
Totals	2,712	2,656	2,662	+0.23%

Table 2: Turnover (Order book) – Full Year Comparison

	Actual 2013/14	Full-Year Target 2013/14	Actual to August 2013/14	Variance	% of Target to be achieved in remaining 30 wks
	£,000	£,000	£,000	£'000	
Total	6,551	6,177	2,662	3,515	57%

Table 3: Turnover (Order book) by Customer Area (to August)

Year	Bridgend	Caerphilly	Merthyr Tydfil	Rhondda Cynon Taf
	£,000	£,000	£,000	£,000
2014/15	469	567	154	806
2013/14	521	663	207	921

Year	Cardiff	Neath-Port Talbot	Swansea	Vale of Glamorgan	Other
	£,000	£,000	£,000	£,000	£,000
2014/15	320	40	73	102	131
2013/14	130	44	65	64	97

4.1.1.1 As expected, a decrease in turnover from the Joint Authorities, compared to the previous financial year period, has been experienced and can be attributed to a number of factors:

- Local Government Budget Reductions.
- The late Easter holiday period and budget allocation.
- Lack of project work for 2014/15.
- Cessation of start-up funding of the Welsh Government Flying Start initiative.
- Introduction of alternative economy product ranges.

4.1.1.2 However, the reduction in turnover has been offset by the successful extension of the service into the educational sectors of the Cardiff and Vale of Glamorgan authorities, due to both a strategy of competitive

pricing and enhanced delivery service and also customer familiarisation of the existing product ranges.

- 4.1.1.3 The increase in turnover of stock items, traditionally a higher on-costed product range, is highlighted in the comparison table of order book income for the April to August period of the current and last year:

Table 4: Income Target by Order Book – April to August

	Expected Target Income	Achieved Target Income	Income Above Expected Budget Surplus
£'000's			
2014-15	529	587	58
2013-14	542	561	19

4.1.2 Summary Financial Position at 31 August 2014.

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

Table 5: Comparison of budget against projected spend at 31 Aug 2014

Expenditure Group	Budget 2014/15	Adjusted Actual to 31 Aug 2014	Projected Outturn 2014/15	Projected Over/(Under) Spend 2014/15
	£,000	£,000	£,000	£,000
Employees	821	327	778	(43)
Premises	113	44	102	(11)
Transport	112	57	112	0
Supplies & Services	146	61	158	12
Third Party Payments	25	23	25	0
Finance/Support Services	51	23	54	3
Total Expenditure	1,268	522	1229	(39)
Trading	(1,253)	(622)	(1,253)	0
Non Trading	(110)	(46)	(110)	0
Total Net Income	(1,363)	(668)	(1,363)	0
Deficit/(Surplus)	(95)	(146)	(134)	(39)

- 4.1.2.2 Expenditure during the first five months is generally as anticipated with some notable exceptions to overall projected outturn as follows:
- 4.1.2.2.1 Employees – an expected underspend of £43,000 due to decreased staff costs.

4.1.2.2.2 Premises – an expected underspend of £11,000 due to an extension of shared building costs with other departments located at County Borough Supplies.

4.1.2.2.3 Supplies & Services – an expected overspend of £12,000 due to an increase in External Audit fees, both current and historic.

4.1.2.3 For comparative purposes, the Adjusted Actual financial position for the April to August period in 2013 was a surplus of £107,000.

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 year to 31 August 2014, together with the final outcomes for 2013/14 for comparison.

Table 6: Service Performance Indicators for 2014/15

Performance Indicator	Service Target	2013/14 (Full Year)	2014/15 (To 31 Aug)
Product Availability Average stock level available for customers on first request	96%	96.56%	96.38%
Stockholding Value Average stock value retained during the trading year.	8 weeks stock equivalent	9.8 weeks (£623k)	9.75 weeks (£672k)
Debt Management Owed debt to the JSS during trading year	Not greater than 5.5 weeks credit income	3.9 weeks (Average £502k)	4.3 weeks (Average £470k)

Table 7: Order Breakdown by Value Banding

Full 2013/14 % figures in brackets

Row Labels		£0 - £25	£26 - £50	£51 - £100	£100 plus	Grand Total
Corporate	No	1,537	964	1,144	1,185	5,530
	%	27.79 (29.13)	17.43 (17.54)	20.69 (19.77)	34.09 (33.56)	
Education	No	1,413	1,329	1,738	4,354	8,834
	%	16.00 (19.51)	15.04 (16.61)	19.67 (20.67)	49.29 (43.21)	
Other	No	272	177	159	193	801
	%	33.96 (35.62)	22.10 (21.65)	19.85 (20.63)	24.09 (22.09)	
Grand Total	No	3,222	2,470	3,041	6,432	15,165
	%	21.25 (23.89)	16.29 (17.20)	20.05 (20.34)	42.41 (38.57)	

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 8: Sales Order Analysis

Transaction Medium	2014 Apr-Aug	2013/14 (Full Year)
eProcurement Service (ePs)	29.4%	26.2%
JSS Web Site	13.2%	13.3%
Other – e-mail, fax, mail, telephone	57.4%	60.5%

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 9: ePs User Analysis April to August 2014

BCBC	CCBC	MTCBC	RCTCBC	Cardiff	Newport	Swansea	V of G
9.2%	25.6%	9%	43%	0.2%	0.1%	6.4%	4.2%

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 The value of orders placed via the website for the April to August 2014 period was £419,000.

Table 10: Web site User Analysis April to August 2014

BCBC	CCBC	MTCBC	RCTCBC	Cardiff	NPT	Swansea	V of G	Other
15.9%	16.3%	12.2%	31.7%	8.6%	2.9%	2.3%	7.3%	2.8%

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 for the April to August 2014 period accounted for 2.7% of all transactions, a total of £71,000. For comparison purposes, payment by purchasing card for the full 2013/14 financial period was 4.2%

Table 11: Purchase Card Usage Analysis April to August 2014

BCBC	CCBC	MTCBC	RCTCBC	Other
5.8%	2.9%	Nil	87.1%	4.2%

4.1.5 **Absence Monitoring**

4.1.5.1 A summary of sickness absence for the April to July 2014 period is provided below for information. Retrospective absence figures for BCBC for the full 2013/14 financial period are included for comparison.

Table 12: Absence Monitoring April – July 2014

No. of days absence	Average no. of days per person	BCBC No of Days Absence per F.T.E.
134 (181.5)	4.6 (1.2 excl. long-term)	(9.8) 2013/14 Full Yr.
<i>(Previous year in brackets.)</i>		

4.1.5.2 The absence level includes five long-term absences (more than 15 days continuous) totalling 100 days within the overall absence of 134 days and compares to 181.5 days for the same period the previous year. Two of the officers, whose combined absence totalled 71.5 days of the overall absence, have now left the Service.

4.1.5.3 Members have requested an analysis of absence relevant to general post categories and a summary of the figures for April to July 2014 is presented below for information.

Table 13: Staff Group Absence Analysis

Staff Group	No. of Staff	No. of Absence Days	No. of Staff Sickness Absence	Average No. of Days Absence
Management	2	0	0	0.0
Administrative/Professional	16	36.5	7	2.3
Warehouse	8	67	5	8.4
Transport	3	30.5	2	10.2

4.1.5.4 Members have also requested further information as to a breakdown of absence by gender and the reasons for absence which is reported below.

Table 14: Staff Absence by Gender

Gender	Total Staff	No. of Staff Sickness Absence	No. of Absence Days
Male	13	7	97.5
Female	17	7	36.5

Table 15: Staff Absence Reasons

Reason	No. of Staff	No. of Absence Days
Eye/Ear/Throat/Nose/Mouth/Dental	1	2
Infections	2	4
MSD including Back & Neck	6	118.5
Neurological	1	3
Stomach / Liver / Kidney / Digestion	5	6.5

4.1.5.5 All occurrences of absence are managed in accordance with corporate policy guidelines and have resulted in three welfare meetings, five informal review meetings and four formal review meetings including two with sanctions during the April to August period.

4.1.6 Debt Management

4.1.6.1 Further information has previously been requested relating to the Joint Supplies Service long term outstanding debt.

4.1.6.2 Outstanding debt over 120 days currently forms 0.4% of total outstanding debt as at 9th August 2014.

Table 16: Debt Over 120 Days

Corporate	Education	Outside Authority	Sponsorship
£108 (0.02%)*	£2,264 (0.35%)*	£191 (0.03%)*	£0 (0.0%)*

* Percentage of overall current outstanding debt at 9th August 2014 (£639,690)

4.1.7 Extraordinary Joint Committee Meeting

4.1.7.1 The Joint Committee have previously approved the reduction of annual reporting from four meetings to three.

4.1.7.2 However, due to the requirement of the agreement and ratification of the JSS Constitution and Business Plan before the proposed relocation of the Service in August 2015, it is proposed that an additional meeting be re-instated, if required, for 24 April 2015 at Bridgend.

4.1.7.3 It is recommended that the additional meeting is accepted by the Joint Committee.

4.1.8 Year End Holiday Period

4.1.8.1 The JSS office closure during the Christmas/New Year period, practiced successfully over several years, will include the period December 29 to 31 with the closure being accommodated by way of staff annual leave and flexible working arrangements.

4.1.8.2 For information, the host authority will be closing all main offices on 2 January 2015 with the same staff leave or flexible working arrangements in place.

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

It is recommended Members note the content of the report and agree the recommendation of paragraph 4.1.7.2 namely the proposed additional Joint Committee meeting if required.

Andrew Jolley
Assistant Chief Executive – Legal and Regulatory Services

Contact Officer: Steve Evans
Telephone: (01656) 664552
E-mail: steve.evans@bridgend.gov.uk

Background Documents:
None.

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BRIDGEND COUNTY BOROUGH COUNCIL

CATALOGUE SUPPLIES SERVICE JOINT COMMITTEE

REPORT OF THE ASSISTANT CHIEF EXECUTIVE – LEGAL AND REGULATORY SERVICES

25 SEPTEMBER 2014

REPORT REGARDING THE REVISED CONSTITUTION FOR THE JOINT SUPPLIES SERVICE

1. Purpose of Report

The purpose of this report is to advise Members of progress made in respect of revisions required to the Constitution of the Joint Supplies Service.

2. Connection to Corporate Objectives / Other Corporate Priorities.

- 2.1 The Joint Supplies Service (JSS) provides a one stop purchasing and warehouse facility for each of the partnering Authorities, for common and repetitive spend commodities mainly associated with Schools and corporate business.

3. Background

- 3.1 At the Management Committee held on 26th June 2014, Members requested that revisions be made to the Joint Supplies Service Constitution, recognising that the current version no longer reflects the requirements of the Service.
- 3.2 The Chair of the Committee asked Officers to prepare and present a draft version for presentation to the JSS meeting on 25th September 2014.

4 Current Situation and Proposals

- 4.1 The existing Constitution dates back to the inception of the Service in its current form in April 1996, and the copy agreed and sealed by the four partners, dated 4th April 1996 is included as Appendix 1.
- 4.2 This document covered the initial formation and governance of the Service related and included issues such as host roles, composition of the Committee and Officer Groups, frequency of meetings, staff secondment, termination rights etc.
- 4.3 A revised version of this document is also in existence which appears to have been drafted in 1997. There is however, no evidence that this was either approved or sealed by the four Member Authorities. A copy is included as Appendix 2.
- 4.4 Procurement and Legal Officers have reviewed the 1996 document and set out the following key principles under which the new Constitution will be re-drafted. These have been endorsed by Officers in each of the four member Authorities
- 4.4.1 Fine tuning and Deed of Variation is not an option. A new version is required as the 1996 one is completely out of date.
- 4.4.2 Bridgend County Borough Council will continue to act as the host organisation.
- 4.4.3 It is proposed that the new agreement is effective for a 3 year period with 12 month extension options to link in with Local Government Re-organisation.
- 4.4.4 Termination will be amended to a provision for any party giving a minimum of 12 months notice, which will allow sufficient time for other members to consider its future. Where there is just one partnering Authority which decides to terminate and the organisation continues to trade, a compensatory payment

based on stock valuation less any liabilities incurred (staff costs) will be made to that partnering Authority.

- 4.4.5 In the event of closure, the value of reserves less any liabilities due (staff costs, creditors etc.) will be re-imbursed on a percentage of population basis. (the baseline for the population measure will be defined in the agreement)
- 4.4.6 Reference to seconded staff will be removed from new document as all staff are now employed by BCBC on behalf of the Joint Committee.
- 4.4.7 A schedule of Officer Group posts will be included in the document together with those of staff employed by the JSS.
- 4.4.8 A mechanism for appointing new posts will be stated. The proposal is that all posts below Principal Officer will be managed by BCBC with reference back to the Officer Group and JSS Committee after the appointment has been made. The Officer Group will be consulted regarding the appointment of all Principal Officer posts.
- 4.4.9 The responsibilities of the Management Committee and Officer Group will be made clear in the document, together with the frequency of meetings. Reporting lines will be made clear via flowcharts.
- 4.4.10 In order to make provision for control of capital expenditure, it is proposed that the Committee has delegated powers conferred on it by the partnering Authorities to spend up to £100,000. Any expenditure above this limit will require each individual Authority to seek permission for the JSS to incur.

5.0. Equalities Impact Assessment

- 5.1 An Equalities Impact Assessment is not required at this time

6. Financial Implications

6.1 There are no financial implications associated directly with this report.

7. Recommendation

7.1 The Committee is requested to endorse principles 4.4.1 to 4.4.10 inclusive and the recommendation that the Legal Officers prepare and agree a draft and final version for approval by Members at the meeting to be held on 29th January 2015

Andrew Jolley

Assistant Chief Executive - Legal and Regulatory Services

Contact Officers:

James Ferris

Corporate Procurement Manager

Telephone: (01656) 664506

E-mail: James.Ferris@bridgend.gov.uk

Background Documents

Appendix 1 – JSS Constitution Dated 4th April 1996

Appendix 2 – JSS Constitution Dated 1997

DATED 4TH Day of April 1996

THE COUNTY BOROUGH COUNCIL OF BRIDGEND
THE COUNTY BOROUGH COUNCIL OF CAERPHILLY
THE COUNTY BOROUGH COUNCIL OF MERTHYR
THE COUNTY BOROUGH COUNCIL OF RHONDDA, CYNON, TAFF

A G R E E M E N T

- relating to -

MID GLAMORGAN JOINT TRADING ORGANISATION

AGREEMENT (SMJ)

THIS AGREEMENT is made the *Fourth* day of *April* One Thousand Nine Hundred and Ninety Six ~~BETWEEN~~ the Councils (hereinafter together called "The Councils") whose names are set out in the First Schedule hereto.

WHEREAS:

- (1) The Councils are principal councils within the meaning of the Local Government (Wales) Act 1994 ("the 1994 Act") and enter into this Agreement as shadow Authorities as permitted by Statute.
- (2) The local authorities within the County of Mid Glamorgan as defined within the Local Government Act 1972 shall hereinafter be called "the Old Authorities" and shall include Mid Glamorgan County Council.
- (3) The Councils are desirous of implementing arrangements for a catalogue supply service (to be known as the County Supplies Joint Trading Organisation ("JTO")) to meet the requirements of the service providers of the Councils for a period of one year and thereafter from year to year unless terminated in accordance with this Agreement so as to facilitate the implementation of their powers and duties. For the avoidance of any doubt for the first year of this Agreement all costs shall be shared proportionally in accordance with Schedule 6.
- (4) Section 25 of the 1994 Act permits local authorities to enter into agreements with each other for the provision of services by one authority to another in addition to Section 101 of the Local Government Act 1972 ("the 1972 Act") under which two or more authorities can arrange to carry out a function jointly.

IT IS AGREED AS FOLLOWS:

1. This Agreement is made under the terms of the powers conferred by Section 25 of the 1994 Act and Sections 101 and 102 and 113 of the 1972 Act and is constituted for implementing a joint catalogue trading arrangement which shall include the services ("the Services") set out in Schedule 4.
2. The duration of this Agreement shall be from the 1st April, 1996 to the thirty first day of March One Thousand Nine Hundred and Ninety Seven and thereafter from year to year unless terminated in accordance with this Agreement.
3. For the purposes of this Agreement "the Host Authority" shall mean the County Borough Council of Bridgend.
4. There shall be constituted:
 - i. A Joint Committee ("the Joint Committee") of the Councils whose powers duties and constitution are more particularly described in Schedule 4 hereto, and
 - ii. An Officer Working Group ("the Group") comprising staff from the Councils which Group and its powers and duties are more particularly described in Schedule 5 hereto
5. (i) The costs of the services (the "Costs") to be calculated, discharged and paid by the Councils shall be those set out in Schedule 6 hereto.

(ii) The Manager ("The Manager") shall be the person appointed by the Joint Committee to manage the Services and the Seconded Staff.

(iii) The Seconded Staff ("Seconded Staff") shall be those posts referred to in Schedule 2.

(iv) The JTO shall be accommodated in a suite of offices and stores shown for identification purposes only on the plan attached hereto and located at Waterton, Bridgend ("the Accommodation").

6. The Services shall be delivered in accordance with the following principles under the general direction of the Joint Committee:-

(a) The Seconded Staff shall be seconded from the Councils to the Host Authority for the duration of this Agreement or such other period as the Councils may agree. Any other staff required for secondment will be by agreement between the Councils. Additional temporary staff will be employed by the Host Authority on terms agreed by the Joint Committee.

(b) to protect the rights of the Seconded Staff with regard to their continuing employment with their respective Council who shall at all times during any secondment remain the employer of a member of the Seconded Staff and who shall deal with any formal disciplinary action and the Councils agree to take all reasonable steps in this regard.

(c) so far as is lawful the Host Authority and the Councils shall ensure that no member of the Seconded Staff shall be disadvantaged by reason of secondment as abovementioned.

- (d) to utilise the Seconded Staff solely for the provision of the Services
- (e) The Host Authority (and not the employing Council) shall pay the salaries wages and other emoluments of the Seconded Staff which shall be recovered in accordance with the principles set out in Schedule 6 hereto.
7. The Councils severally agree that throughout the duration of this Agreement each will comply with the terms of this Agreement and will make payment in accordance with the terms of this Agreement.
8. Any contract for the execution of work or the supply of goods or services pursuant to the terms of this Agreement shall be made by and in the name of the Host Authority for and on behalf of the JTO and shall comply with the Standing Orders and/or Financial Regulations for the time being of the Host Authority the liabilities and rights attaching to such contracts shall be the joint liability of all the parties to this agreement save that the JTO shall not be liable for orders placed by individual Councils where the JTO has acted other than as agent on behalf of the said Council.
9. The Host Authority shall ensure that on behalf of the Councils adequate insurance cover is effected and maintained in respect of any liability to a third party of whatever nature associated with the carrying out of the Services under the terms of this Agreement but subject to the benefit of any such insurance indemnity the Councils will indemnify the Host Authority in respect of such liability in such proportion as is set out in this Agreement for each Council to contribute to the costs.

10. For the avoidance of doubt IT IS AGREED that:

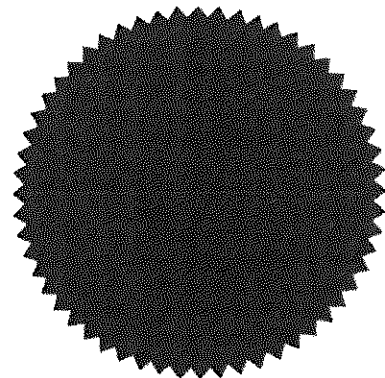
- i. Any party to this Agreement may, during the currency of this Agreement, by notice in writing of not less than 3 months expiring on 31 March in any year given to each party to this Agreement withdraw from the use of all or any part of the Services referred to in this Agreement but shall in any event remain subject to the obligations set out below.
- ii. No party to this Agreement may during the first year of the Agreement withdraw from any obligation whether financial or otherwise imposed by the terms of this Agreement upon that party
- iii. No party to this Agreement may at any time during the currency of this Agreement without the express written consent of each party to this Agreement (which consent shall be in the absolute discretion of each party) assign transfer pledge or in any way pass to a third party (of whatever nature) any of the benefits accruing under this Agreement or any of the obligations created by this Agreement
- iv. In the event of a Council terminating its membership of the JTO in accordance with the terms abovementioned that Council's share of stock value shall be determined and repaid to that Council in accordance with the principles set out in Schedule 6 hereto
- v. All assets other than those constituting stock referred to in (iv) above debtors and cash shall be apportioned in

accordance with the terms of the appropriate Section 56 Local Government (Wales) Act 1994 agreement in the event of this Agreement being terminated in whole or in part in accordance with the abovementioned procedures.

11. Any unresolved dispute between any or all of the parties to this Agreement arising out of this Agreement shall be referred to and determined by a single Arbitrator to be agreed between the parties in dispute or in default of agreement nominated by the President for the time being of the Institute of Arbitrators and for the avoidance of doubt IT IS AGREED that the costs of that arbitration shall be met as determined by that Arbitrator and shall not form part of the Costs under the terms of this Agreement

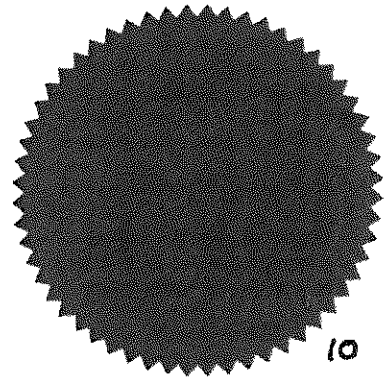
IN WITNESS WHEREOF the parties hereto as a Deed have affixed their common seals the day and date first before written

THE COMMON SEAL of the BRIDGEND COUNTY BOROUGH COUNCIL was hereunto affixed in the presence of:



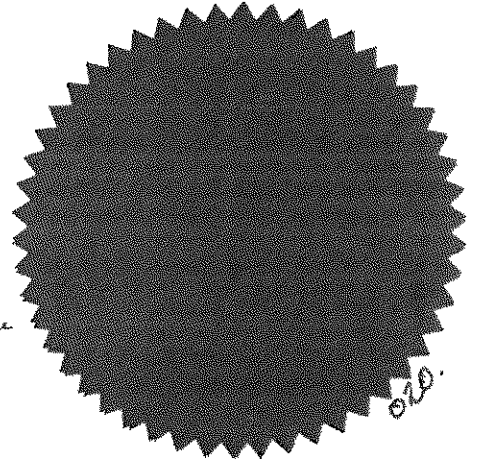
MAYOR *Megan W. Dutcher*
AUTHORIZED SIGNATOR *S. Reid*

THE COMMON SEAL of the CAERPHILLY COUNTY BOROUGH COUNCIL was hereunto affixed in the presence of:



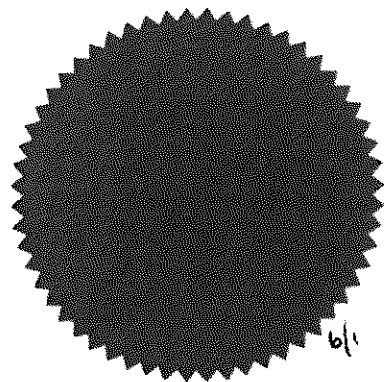
Eleeth Griffiths Authorized member
D. S. Meekidy Authorized officer

THE COMMON SEAL of the MERIHYR TYDFIL COUNTY BOROUGH COUNCIL was hereunto affixed in the presence of:



Barbara A. James Assistant Chief Executive
W. R. Smith MAYOR.

THE COMMON SEAL of the RHONDDA CYNON TAFF COUNTY BOROUGH COUNCIL was hereunto affixed in the presence of:



P. J. Lucas
.....
THE DIRECTOR OF LEARN. AND
ADMINISTRATIVE SERVICES

AUTHORITY	
MINUTE NO.	
SUB-CITEE	
CITEE	<i>Policy</i>
DATE	<i>4.4.96</i>
NO.	(REFS.)
CITEE	
CHAIRMAN	
VICE CHAIRMAN	
DATE	
CERTIFIED	<i>ML</i>

SCHEDULE 1

The Councils

Bridgend County Borough Council

Caerphilly County Borough Council

Merthyr Tydfil County Borough Council

Rhondda, Cynon, Taff County Borough Council

SCHEDULE 2

Seconded Staff

Principal Officer	Rhondda Cynon Taff
Principal Buyer, PO1	Rhondda Cynon Taff
Buyer, Scale 6	Rhondda Cynon Taff
Clerical Assistant, Scale 3	Rhondda Cynon Taff
Clerical Assistant, Scale 2	Rhondda Cynon Taff
Principal Officer	Rhondda Cynon Taff
Supervisor	Rhondda Cynon Taff
Driver	Rhondda Cynon Taff
Stores Assistant/Driver	Rhondda Cynon Taff
Marketing Assistant, Scale 2	Merthyr
Stores Assistant, Scale 1	Merthyr
Marketing/Customer Services Officer, SO1	Caerphilly
Customer Services Officer, Scale 1/3	Caerphilly
Administrative Officer (Contracts Management) Scale 1/3	Caerphilly
Administrative Officer (Computer System Maintenance) Scale 1/3	Caerphilly
Driver	Caerphilly
Stores Operative, Scale 1	Caerphilly
Buyer, Scale 6	Bridgend
Buyer, Scale 5	Bridgend
Administrative Assistant, Scale 4	Bridgend
Administrative Assistant, Scale 4	Bridgend
General Assistant, Scale 1/2	Bridgend
Driver, Scale 2	Bridgend
Telephonist, Scale 1	Bridgend

The posts will be seconded for a period of up to twelve months, as necessary, on a part-time or full-time basis.

The remaining posts of the Joint Trading Organisation to be filled by temporary staff appointment.

SCHEDULE 3

The Services

- (i) produce a catalogue of products ("the Catalogue") and services which will be available either from stock held by the JTO or from nominated suppliers at prices negotiated by the JTO. This will contain over 2,600 products required by the Service Departments of the Councils (the range of products to be agreed between the Councils and the JTO) and be published in the names of the Councils;
- (ii) provide a service level and conditions of sale to be published in the Catalogue as agreed by the Councils;
- (iii) a catalogue operation directly accessible by individual customers (from the Councils) and other recognised public/bodies organisations (as permitted by statute). The provision of services to other than the existing client portfolio to be by agreement with the Group;
- (iv) a liaison with the successors to the Welsh Purchasing Consortium with a view to providing maximum savings to Councils and to recovering operational costs.

SCHEDULE 4

Joint Committee

Establishment and
Constitution of Joint
Committee

1. There shall be constituted a Joint Committee of the Councils consisting of 8 members two members to be appointed by each of the Councils having the functions powers and duties upon and subject to the terms and conditions hereinafter set forth and the name of the Joint Committee shall be the JTO Committee.

Appointment of
Representative Members

2. Each of the Councils shall as soon as possible after the execution of the Agreement appoint two members to serve on the Joint Committee and subject to paragraph 4 of this Schedule the members concerned shall serve until the expiry of the Agreement or until he or she is removed from nomination by his or her respective Council or until he or she dies.

3. Any Member may be accompanied by a Senior Officer who may attend meetings of the Joint Committee but may not vote.

Nomination of Deputy
to attend Meetings

4. Any of the Councils may nominate a deputy for any member appointed by them to attend and vote at any meeting of the Joint Committee in place of the member

so elected who for any reason is unable to attend that meeting.

Appointment of Chairman

5. The Joint Committee shall at their first meeting appoint a Chairman and Vice-Chairman for the ensuing year.

Vice-Chairman

Meetings

6. The Joint Committee shall hold four meetings in every year for the transaction of general business and may hold such other meetings at such intervals as they shall find necessary or convenient.

Quorum and voting

7. Three members shall form a quorum. Each Council shall have one vote and in the case of equality of votes the Chairman shall have an additional casting vote.

Special Meetings

8. The Chairman of the Joint Committee may call a special meeting at any time and shall do so within seven days of receipt of a requisition signed by any member of the Joint Committee and setting forth the nature of the matter requiring consideration; the notice summoning any special meeting shall specify the matter to be discussed.

Powers

9. The Councils hereby delegate to the Joint Committee subject to the terms of the Agreement all the powers of the Councils with reference to the management of the Services during the

currency of this Agreement other than powers of-

- (a) borrowing money
- (b) incurring capital expenditure
- (c) incurring revenue expenditure not provided for in Estimates approved by the Councils

Secretary

10. The Treasurer and Secretary of the Joint Committee shall be appropriately qualified nominated by the Director of Corporate Services for the time being of the Host Authority.

Estimates

11. Not later than 30 November in every year the Joint Committee shall determine its Estimates for the forthcoming financial year and shall forward them to each of the Councils (where relevant).

Approval of Estimates

12. The Estimates shall be deemed to have been approved by each of the Councils unless notification to the contrary is received by the Treasurer of the Joint Committee before the commencement of the financial year.

Accounts

13. The Treasurer shall as soon as possible after the conclusion of every financial year (which shall be the twelve months ending on 31 March) send to each of the Councils a copy of the Final Accounts of the Joint Committee for the financial year.

Convening of Meetings

14. The meetings of the Joint Committee and any Sub-Committee shall be convened by notice in writing by the Secretary and delivered to each member of the Joint Committee or sent by post to or delivered at his residence or place of business and to the Chief Executive of each of the Councils at least seven days before the day of the meeting.

SCHEDULE 5

Officer Working Group

1. Each of the Councils shall provide an officer representative ("The Officer") who together with the Manager shall serve on the Officer Working Group ("The Group") and the Secretary of the Joint Committee shall attend any meeting of the Working Group
2. The Officer shall be entitled to appoint a deputy from his respective Council for the purpose of carrying out the duties of that Officer under this Agreement where the Officer is temporarily unavailable
3. It shall be the duty of the first meeting of the Group to appoint a Chairman from amongst the officers
4. In the event of the Officer ceasing to be employed by his respective Council he shall thereupon automatically cease to be a member of the Group and his Council shall immediately provide a replacement representative
5. The Officer shall observe and if required sign a confidentiality undertaking in respect of matters which may come to his knowledge as a result of his membership of the Group
6. The Quorum shall be three and each Council and the Manager shall be entitled to one vote
7. The Group shall meet at least four times a year

8. Not later than 30th November in each year the Group shall report to the Joint Committee to enable the Joint Committee to determine its estimates for the following financial year

9. The function of the Group shall be to deal with issues arising from the provision of the Services referred to in this Agreement and to advise and report to the Joint Committee

SCHEDULE 6

The Costs

1. The Costs of operating the JTO (determined in accordance with proper practices) will be recovered from the prices paid by customers for goods and services provided by the JTO. Any surplus income/profit accrued at the end of this Agreement or any other relevant operating period(s) will be shared by the Councils on a pro-rata basis to the recorded business turnover of Councils within the JTO during the relevant period. Any losses/trading deficit arising during the currency of this Agreement or any other relevant operating period will be shared on a population basis (of the former Mid Glamorgan area).

2. In the event of any participating Council terminating their membership of the JTO in accordance with the provisions of this Agreement, the stock value entitlement of that Council on the 31st March in the year of termination aforesaid shall be repaid to that Council over the following three years or whenever this Agreement ceases. The stock value share shall be calculated on the basis of the former Mid Glamorgan area population figures.

DATED

1997

**THE COUNTY BOROUGH COUNCIL OF BRIDGEND
THE COUNTY BOROUGH COUNCIL OF CAERPHILLY
THE COUNTY BOROUGH COUNCIL OF MERTHYR
THE COUNTY BOROUGH COUNCIL OF RHONDDA CYNON TAFF**

A G R E E M E N T

-relating to-

JOINT SUPPLIES SERVICE

THIS AGREEMENT is made the _____ day of _____ One Thousand Nine Hundred and Ninety Seven **BETWEEN** the Councils (hereinafter together called "The Councils") whose names are set out in the First Schedule hereto.

WHEREAS:

1. The Councils are principal councils within the meaning of the Local Government (Wales) Act 1994 ("the 1994 Act") and enter into this Agreement as Authorities as permitted by Statute.
2. The councils are desirous of maintaining arrangements for a catalogue supply service (to be known as County Borough Supplies Joint Supplies Service ("JSS")) to meet the requirements of the service providers of the Councils, so as to facilitate implementation of their powers and duties.
3. Section 25 of the 1994 Act permits local authorities to enter into agreements with each other for the provision of services by one authority to another in addition to Section 101 of the Local Government Act 1972 ("the 1972 Act") under which two or more authorities can arrange to carry out a function jointly.

IT IS AGREED AS FOLLOWS:

1. This Agreement is made under the terms of the powers conferred by Section 25 of the 1994 Act and Sections 101 and 102 and 113 of the 1972 Act and is constituted for implementing a joint catalogue trading agreement which shall include the services ("the Services") set out in Schedule 4.
2. The Agreement shall commence on 1st April '98 and shall continue thereafter unless terminated in accordance with the terms of this Agreement
3. For the purposes of this Agreement "the Host Authority" shall mean the County Borough Council of Bridgend.

4. There shall be constituted:
 - i) A Joint Committee (“the Joint Committee”) of the Councils whose powers duties and constitution are more particularly described in Schedule 4 hereto, and
 - ii) An Officer Working Group (“the Group”) comprising staff from the Councils which Group and its powers and duties are more particularly described in Schedule 5 hereto
5.
 - i) The costs of the services (“the Costs”) to be calculated, discharged and paid by the Councils shall be those set out in Schedule 6 hereto.
 - ii) The Manager (“The Manager”) shall be the person appointed by the Joint Committee to manage the Services and Staff.
 - iii) The Seconded Staff (“Seconded Staff”) shall be those posts referred to in Schedule 2.
 - iv) The JSS shall be accommodated in a suite of offices and stores shown for identification purposes only on the plan attached hereto and located at Waterton, Bridgend (“the Accommodation”).
6. The Services shall be delivered in accordance with the following principles under the general direction of the Joint Committee:-
 - i) The Seconded Staff shall be seconded from the Councils to the Host Authority for the duration of this Agreement or such other period as the Councils may agree. Any other staff required for secondment will be by agreement between the Councils. Additional staff will be employed by the Host Authority on terms agreed by the Joint Committee.

- ii) To protect the rights of the Seconded Staff with regard to their continuing employment with their respective Council who shall at all times during any secondment remain the employer of a member of the Seconded Staff and who shall deal with any formal disciplinary action and the Councils agree to take all reasonable steps in this regard.
 - iii) So far as is lawful the Host Authority and the Councils shall ensure that no member of the Seconded Staff shall be disadvantaged by reason of secondment as abovementioned.
 - iv) To utilise the Seconded Staff solely for the provision of the Services.
 - v) The Host Authority (and not the employing Council) shall pay the salaries wages and other emoluments of the Seconded Staff which shall be recovered in accordance with the principles set out in Schedule 6 hereto.
7. The Councils severally agree that throughout the duration of this Agreement each will comply with the terms of this Agreement and will make payment in accordance with the terms of this Agreement.
8. Any contract for the execution of work or the supply of goods or services pursuant to the terms of this Agreement shall be made by and in the name of the Host Authority for and on behalf of the JSS and shall comply with the Standing Orders and/or Financial Regulations for the time being of the Host Authority the liabilities and rights attaching to such contracts shall be the joint liability of all the parties to this agreement save that the JSS shall not be liable for orders placed by individual Councils where the JSS has acted other than as agent on behalf of the said Council.
9. The Host Authority shall ensure that on behalf of the Councils adequate insurance cover is effected and maintained in respect of any liability to a third party of whatever nature associated with the carrying out of the Services under the terms of this Agreement but subject to the benefit of any such insurance indemnity the Councils will indemnify the Host Authority in respect of such liability in such proportion as is set out in this Agreement for each Council to contribute to the costs.

10. For the avoidance of doubt **IT IS AGREED** that:

- i) Any party to this Agreement may, during the currency of this Agreement, by notice in writing of not less than 6/12* months expiring on 31 March in any given year to each party to this Agreement withdraw from the use of all or any part of the Services referred to in this Agreement but shall in any event remain subject to the obligations set out below.
- ii) (*Period to be determined by Joint Committee)
- iii) In the event of the JSS failing to attain financial viability in any trading year, the Joint Committee, at its discretion, may recommend, to participating Councils, the termination of the Agreement and the appropriate closure period.
- iv) No party to this Agreement may at any time during the currency of this Agreement without the express written consent of each party to this Agreement (which consent shall be in the absolute discretion of each party) assign transfer pledge of in any way pass to a third party (of whatever nature) any of the benefits accruing under this Agreement or any of the obligations created by this Agreement.
- v) In the event of a Council terminating its membership of the JSS in accordance with the terms abovementioned that Council's share of stock value shall be determined and repaid to that Council in accordance with the principles set out in Schedule 6 hereto
- vi) All assets other than those constituting stock referred to in (iv) above debtors and cash shall be apportioned in accordance with the terms of the appropriate Section 56 Local Government (Wales) Act 1994 agreement in the event of this Agreement being terminated in whole or in part in accordance with the abovementioned procedures.

11. Any unresolved dispute between any or all of the parties to this Agreement arising out of this Agreement shall be referred to and determined by a single Arbitrator to be agreed between the parties in dispute or in default of agreement nominated by the President for the time being of the Institute of Arbitrators and for the avoidance of

doubt **IT IS AGREED** that the costs of that arbitration shall be met as determined by that Arbitrator and shall not form part of the Costs under the terms of this Agreement.

IN WITNESS WHEREOF the parties hereto as a Deed have affixed their common seals the day and date first before written

THE COMMON SEAL of the **BRIDGEND COUNTY BOROUGH COUNCIL** was hereunto affixed in the presence of:

.....
.....

THE COMMON SEAL of the **CAERPHILLY COUNTY BOROUGH COUNCIL** was hereunto affixed in the presence of:

.....
.....

THE COMMON SEAL of the **MERTHYR TYDFIL**

COUNTY BOROUGH COUNCIL was hereunto
affixed in the presence of:

.....
.....

THE COMMON SEAL of the **RHONDDA CYNON
TAFF COUNTY BOROUGH COUNCIL** was hereunto
affixed in the presence of:

.....
.....

SCHEDULE 1
The Councils

SCHEDULE 1

The Councils

Bridgend County Borough Council

Caerphilly County Borough Council

Merthyr Tydfil County Borough Council

Rhondda, Cynon, Taff County Borough Council

SCHEDULE 2

Seconded Staff

POST/OFFICER	AUTHORITY
Principal Officer Principal Buyer Buyer Principal Officer Supervisor Stores Assistant/Driver	Rhondda Cynon Taff Rhondda Cynon Taff Rhondda Cynon Taff Rhondda Cynon Taff Rhondda Cynon Taff Rhondda Cynon Taff
Marketing Officer Customer Services Officer Clerical Assistant (IT) Driver Stores Assistant	Caerphilly Caerphilly Caerphilly Caerphilly Caerphilly
Buyer Administrative Assistant Administrative Assistant Driver Telephonist	Bridgend Bridgend Bridgend Bridgend Bridgend
Stores Assistant	Merthyr

The posts will be seconded for an agreed period, as necessary, on a part-time or full-time basis.

The remaining posts of the Joint Supplies Service to be filled by Staff appointments in the name of the host authority.

SCHEDULE 3

The Services

- i. produce a catalogue of products ("the Catalogue") and services which will be available either from stock held by the JSS or from nominated suppliers at prices negotiated by the JSS. This will contain products required by the Service Departments of the Councils (the range of products to be agreed between the Councils and the JSS) and be published in the names of the Councils;
- ii. provide a service level and conditions of sale to be published in the Catalogue as agreed by the Councils;
- iii. a catalogue operation directly accessible by individual customers (from the Councils) and other recognised public bodies/organisations (as permitted by statute). The provision of services to other than the existing client portfolio to be by agreement with the Group;
- iv. a liaison with the Councils of the Welsh Purchasing Consortium with a view to providing savings to Councils and to recovering operational costs.

SCHEDULE 4
Joint Committee

**Establishment and
Constitution of Joint
Committee**

1. There shall be constituted a Joint Committee of the Councils consisting of 8 members two members to be appointed by each of the Councils having the functions powers and duties upon and subject to the terms and conditions hereinafter set forth and the name of the Joint Committee shall be the JSS Committee.

**Appointment of
Representative Members**

2. Each of the Councils shall as soon as possible after the execution of the Agreement appoint two members to serve on the Joint Committee and subject to paragraph 4 of this Schedule the members concerned shall serve until the expiry of the Agreement or until he or she is removed from nomination by his or her respective Council or until he or she dies.

3. Any member may be accompanied by a Senior Officer who may attend meetings of the Joint Committee but may not vote.

**Nomination of Deputy to
attend Meetings**

4. Any of the Councils may nominate a deputy for any member appointed by them to attend and vote at any meeting of the Joint Committee in place of the member so elected who for any reason is unable to attend that meeting.

**Appointment of Chairman
Vice Chairman**

5. The Joint Committee shall at their first meeting appoint a Chairman and Vice-Chairman for the ensuing year.

Meetings

6. The Joint Committee shall hold four meetings in every year for the transaction of general business and may hold such other meetings at such intervals as they shall find necessary or convenient.

Quorum and voting

7. Three members shall form a quorum. Each council shall have one vote and in the case of equality of votes the Chairman shall have an additional casting vote.

Special Meetings

8. The Chairman of the Joint Committee may call a special meeting at any time and shall do so within seven days of receipt of a requisition signed by any member of the Joint Committee and setting forth the nature of the matter requiring consideration; the notice summoning any special meeting shall specify the matter to be discussed.

Powers

9. The Councils hereby delegate to the Joint Committee subject to the terms of the Agreement all the powers of the Councils with reference to the management of the Services during the currency of this Agreement other than powers of -
(a) borrowing money
(b) incurring capital expenditure
(c) incurring revenue expenditure not provided for in Estimates approved by the Councils

Secretary

10. The Treasurer and Secretary of the Joint Committee shall be appropriately qualified nominated by the Director of Corporate Services for the time being of the Host Authority.

Estimates

11. Not later than 30 November in every year the Joint Committee shall determine its Estimates for the forthcoming financial year and shall forward them to each of the Councils (where relevant).

Approval of Estimates

12. The Estimates shall be deemed to have been approved by each of the Councils unless notification to the contrary is received by the Treasurer of the Joint Committee before the commencement of the financial year.

Accounts

13. The Treasurer shall as soon as possible after the

conclusion of every financial year (which shall be the twelve months ending on 31 March) send to each of the Councils a copy of the Final Accounts of the Joint Committee for the financial year.

Convening of Meetings

14. The meetings of the Joint Committee and any Sub-Committee shall be convened by notice in writing by the Secretary and delivered to each member of the Joint Committee or sent by post to or delivered at his residence or place of business and to the Chief Executive or each of the Councils at least seven days before the day of the meeting.

SCHEDULE 5
Officer Working Group

1. Each of the Councils shall provide an officer representative ("The Officer") who together with the Manager shall serve on the Officer Working Group ("The Group") and the Secretary of the Joint Committee shall attend any meeting of the Working Group.
2. The Officer shall be entitled to appoint a deputy from his respective Council for the purpose of carrying out the duties of that Officer under this Agreement where the Officer is temporarily unavailable.
3. It shall be the duty of the first meeting of the Group to appoint a chairman from amongst the officers.
4. In the event of the Officer ceasing to be employed by his respective Council he shall thereupon automatically cease to be a member of the Group and his Council shall immediately provide a replacement representative.
5. The Officer shall observe and if required sign a confidentiality undertaking in respect of matters which may come to his knowledge as a result of his membership of the Group.
6. The Quorum shall be three and each Council and the Manager shall be entitled to one vote.
7. The Group shall meet at least four times a year.
8. Not later than 30th November in each year the Group shall report to the Joint Committee to enable the Joint Committee to determine its estimates for the following financial year.
9. The function of the Group shall be to deal with issues arising from the provision of the Services referred to in this Agreement and to advise and report to the Joint Committee.

SCHEDULE 6

The Costs

1. The Costs of operating the JSS (determined in accordance with proper practices) will be recovered from the prices paid by customers for goods and services provided by the JSS. Any surplus income/profit accrued at the end of this Agreement or any other relevant operating period(s) will be shared by the Councils on a pro-rata basis to the recorded business turnover of Councils within the JSS during the relevant period. Any losses/trading deficit arising during the currency of this Agreement or any other relevant operating period will be shared on a population basis (of the former Mid Glamorgan area).
2. In the event of any participating Council terminating their membership of the JSS in accordance with the provisions of this Agreement, the stock value entitlement of that Council on the 31st March in the year of termination aforesaid shall be repaid to that Council over the following three years or whenever this Agreement ceases. The stock value share shall be calculated on the basis of the former Mid Glamorgan area population figures.
3. In the event of the termination of the Agreement, any consequential employment-related costs, payable to employees, employed by the JSS in the name of the host authority (other than seconded staff) will be recovered from any accrued surpluses or residual stock balances prior to any apportioned disbursement of such monies/stock amongst the Councils on the agreed basis.

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BRIDGEND COUNTY BOROUGH COUNCIL

CATALOGUE SUPPLIES SERVICE JOINT COMMITTEE

REPORT OF THE TREASURER

25 SEPTEMBER 2014

AUDITED STATEMENT OF ACCOUNTS 2013-2014

1. Purpose of the Report

- 1.1 The purpose of this report is to present the Joint Committee's Statement of Accounts for the financial year ended 31 March 2014; which is now due to be signed off by our external auditors KPMG, and to receive the auditors Report to those Charged with Governance.

2. Connection to Corporate Improvement Objectives / Other Corporate Priority

- 2.1 None.

3. Background

- 3.1 The Accounts and Audit (Wales) (Amendment) Regulations 2010 require that the Joint Committee approves the audited Statement of Accounts by 30 September. The format and content of the statement is governed by those regulations and 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 2013-14.
- 3.2 The (unaudited) Statement of Accounts was reported to the Joint Committee on the 26 June 2014.
- 3.3 The (unaudited) Statement of Accounts were placed on public deposit and were subject to audit by KPMG, the auditors appointed for the Joint Committee by the Wales Audit Office.

4. Current Situation /Proposal

- 4.1 KPMG, our external auditors, have carried out their audit of the 2013-14 Statement of Accounts and have made some minor amendments including some suggested minor presentational adjustments and additions to the disclosures which have been incorporated into the

financial statements. The surplus for the year remains at £176,000, with total reserves of £1,005,000 which includes an accumulated surplus of £920,000 as at 31 March 2014. The revised Statement of Accounts is attached as **Appendix 1**.

- 4.2 The only significant change to the Statement of Accounts is a reclassification of a provision of £23k against inventory balance to appropriately nett off against the inventory balance as the provision balance is not separable from inventory. This is a balance reclassification adjustment only with no impact on the surplus.
- 4.3 The mutual responsibilities of auditor and the audited body are expressed in the two other appended documents. Auditing standards require our auditors to obtain representation from the Committee on certain matters material to their opinion. The **letter of representation**, which is attached as **Appendix 2**, confirms to the best of one's knowledge and belief, having made appropriate enquiries of other officers of the Catalogue Supplies Joint Committee, certain assurances to the auditors regarding the financial statements for Catalogue Supplies Joint Committee for the year ended 31 March 2014.
- 4.4 The auditors have prepared an "Audit of Financial Statements Report for 2013-14", which appears as **Appendix 3**. It summarises the key issues identified during the consideration of the statement of accounts and annual governance statement.

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

- 5.1 There is no impact on the Policy Framework and Procedure Rules.

6. **Equality Impact Assessment**

- 6.1 There are no equality implications arising from this report.

7. **Financial Implications**

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

8. **Recommendation:**

- 8.1 It is recommended that the Joint Committee:
- Approve the audited Statement of Accounts for 2013-14 (Appendix 1)
 - Note and agree the Letter of Representation to be provided to KPMG and the Wales Audit Office(Appendix 2)
 - Note the auditors' Audit of Financial Statements Report for 2013-14 (Appendix 3)

**GILL LEWIS
INTERIM CORPORATE DIRECTOR RESOURCES, S151 OFFICER
BRIDGEND COUNTY BOROUGH COUNCIL
TREASURER TO THE CATALOGUE SUPPLIES SERVICE JOINT
COMMITTEE**

25 SEPTEMBER 2014

Contact Officer: Frances Mantle CPFA Tel No (01656) 643286
Finance Manager – Technical & Corporate
Frances.Mantle@bridgend.gov.uk

Background Papers: Report of the Treasurer
Statement of Accounts 2013-2014
Catalogue Supplies Service Joint Committee
26TH June 2014

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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 2013-14. 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 Borough 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.

Catalogue Supplies Service Joint Committee -Statement of Accounts 2013-14

3. Analysis of Financial Performance

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

Actual 2012-13 £000	Income	Budget 2013-14 £000	Actual 2013-14 £000	Variance 2013-14 £000
(1,377)	Catalogue Sales (net)	(1,200)	(1,272)	(72)
(125)	Other income*	(105)	(121)	(16)
	Financing Investment & Income	-	(1)	(1)
(1,502)	Total Income	(1,305)	(1,394)	(89)
	Expenditure			
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	-	-	-
(2)	Increase/(Decrease) in Provisions-(Bad Debt & Stock Obsolescence)		(1)	(1)
1,337	Total Expenditure	1,210	1,218	8
(165)	(SURPLUS)/ DEFICIT FOR YEAR	(95)	(176)	(81)

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:-

- Additional 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.
- Additional '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**

There are no changes to Accounting Policies in 2013-14.

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 (Joint Supplies Service) 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

In 2013-14 there was a change in the estimation method for calculating the inventory days. 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 recalculated using the revised estimation method.

The average number of days an inventory item was held decreased from 51 days to 48 days.¹

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

Catalogue Supplies Service Joint Committee -Statement of Accounts 2013-14

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 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 2013-14.²

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 Glamorgan educational sector.

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

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:

Signed :

Chairman of the Joint 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 of Practice 2013-14

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 :

**Interim Director of Resources, Interim Section 151 Officer, Bridgend
County Borough Council**

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.
- 1.7 The Joint Committee's financial management arrangements conform with the governance requirements of the CIPFA *Statement on the Role of the Chief Financial Officer in Local Government (2010)* as set out in the Application Note to *Delivering Good Governance in Local Government: Framework*.

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. The Corporate Director Resources and S151 Officer is also the Treasurer to the Joint Committee and in this capacity ensures that proper arrangements are in place for the administration of the financial affairs of County Borough Supplies.

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. This also applies to staff at County Borough Supplies. 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.

Catalogue Supplies Service Joint Committee -Statement of Accounts 2013-14

- 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 is at the heart of the Council's business and assigns responsibility within the Authority. It also provides a framework that regulates the behaviour of individuals and groups through codes of conduct, protocols and standing orders.

- (iv) Ensuring the economical, effective and efficient use of resources and secure continuous improvement in the way functions are exercised:
 - The Joint Supplies Service Committee achieves this by regularly monitoring and reviewing its Business Plan, undertaking a monthly finance health check, regularly monitoring and reviewing performance indicators and habitually monitoring order book turnover.

- (v) Facilitating the financial management of the Committee:
 - Under the financial stewardship of Bridgend County Borough Council by way of the support service agreement and periodic internal audit reviews.

- (vi) Facilitating the performance management of the committee and its reporting
 - Bridgend County Borough Council Corporate Improvement arrangements.

 - A number of Key Performance Indicators have been reported to the Committee for several years, as a tool for the monitoring progress of service delivery. The performance indicators were reviewed in January 2014 to ensure they reflected service needs. New indicators were introduced to monitor E-enablement- this is becoming an essential element of efficiency improvement and cost reduction- , customer satisfaction and value for money which is measured by a review against main competitors for a range of high turnover products on an annual basis, to co-incide with catalogue pricing.

 - Sustained quality of service delivery assessed by annual customer survey.

- Management of operational costs within agreed budget for respective period.

(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

Signed:

Date:

Treasurer to the Joint Committee

Interim S151 Officer, Bridgend County Borough Council

Signed:

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:

Catalogue Supplies Service Joint Committee -Statement of Accounts 2013-14

- 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.



Core Financial Statements 2013-14

Catalogue Supplies Service Joint Committee -Statement of Accounts 2013-14

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

Page 84

	Accumulated Surplus Balance £'000	Earmarked Reserves £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Committee Reserves £'000	Notes
Balance at 31 March 2012	510	158	668	4	672	
<u>Movement in reserves during 2012-13</u>						
Surplus or (deficit) on provision of services	158	-	158	-	158	
Total Comprehensive Expenditure and Income	158	-	158	-	158	
Adjustments between accounting basis & funding basis under regulations	7	-	7	(7)	-	1
Net Increase/ (Decrease) before Transfers to Earmarked Reserve	165	-	165	(7)	158	
Transfers to/from Earmarked Reserve	70	(70)	-	-	-	12,13
Increase/(Decrease) in 2012-13	235	(70)	165	(7)	158	
Balance at 31 March 2013 carried forward	745	88	833	(3)	830	
<u>Movement in reserves during 2013-14</u>						
Surplus or (deficit) on provision of services	175	-	175	-	175	
Total Comprehensive Expenditure and Income	175	-	175	-	175	
Adjustments between accounting basis & funding basis under regulations	-	-	-	-	-	1
Net Increase/ (Decrease) before Transfers to Earmarked Reserve	175	-	175	-	175	
Transfers to/from Earmarked Reserve	-	-	-	-	-	12,13
Increase/(Decrease) in 2013-14	175	-	175	-	175	
Balance at 31 March 2014 carried forward	920	88	1,008	(3)	1,005	

The notes on pages 27 to 39 form part of the financial statements

Catalogue Supplies Service Joint Committee -Statement of Accounts 2013-14

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	140	-	140		
17	-	17	Third Party Payments	9	-	9		
38	-	38	Support Services	53	-	53		4
	(2)	(2)	Bad Debt Provision		(1)	(1)		5
1,345	(2)	1,343	Operating Expenditure	1,219	(1)	1,218		
1	-	1	Interest payable on debt/(receivable on balances)	-	(1)	(1)	6	
1	-	1	Financing & Investment Income / Expenditure	-	(1)	(1)		
	(6,112)	(6,112)	Income					
			Turnover (Sales)		(6,557)	(6,557)		
			Less cost of Sales:					
416	-	-	Opening Stock	426	-	-		
4,745	-	-	Plus Purchases	5,251	-	-		
(426)	-	4,735	Less Closing Stock	(392)	-	5,285		
4,735	(6,112)	(1,377)	Gross Profit	5,285	(6,557)	(1,272)		
-	(125)	(125)	Other Income	-	(121)	(121)	7	
6,081	(6,239)	(158)	(Surplus) / Deficit on provision of service	6,504	(6,680)	(176)		

The notes on pages 27 to 39 form part of the financial statements.

Balance Sheet for Years Ended 31 March 2013 and 2014

31 March 2013 £'000	Description	31 March 2014 £'000	Notes
426	Inventories	392	8
647	Short Term Debtors	898	9
-	Cash	425	10
1,073	Current Assets	1,715	
(23)	Cash Overdrawn	-	10
(220)	Short Term Creditors	(710)	11
(243)	Current Liabilities	(710)	
830	Net Assets	1,005	
	Usable reserves		
745	Accumulated Surplus	920	12
88	Earmarked Reserve	88	12
	Unusable reserves		
(3)	Short-term Accumulating Compensated Absences Account	(3)	13
830	Total Reserves	1,005	

The notes on pages 27 to 39 form part of the financial statements.

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)	
(105)	Net cash flows from Operating Activities	(448)	14
(105)	Net (increase) or decrease in cash and cash equivalents	(448)	
128	Cash and cash equivalents at the beginning of the reporting period	23	
23	Cash and cash equivalents at the end of the reporting period	(425)	10

The notes on pages 27 to 39 form part of the financial statements.



Notes to the Core Financial Statements 2013-14

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Notes to the Movement in Reserves Statement

1. Adjustments between Accounting Basis and Funding Basis Under Regulations

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

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

Employees build up an entitlement to paid holidays as they work. Under the Code of Practice 2013-14, 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.

	Accumulated Surplus Fund	Total Usable Reserve s	Unusable Reserves	Short term Compensa ted Absences	Total Reserves
<u>2012-13</u>	Balance				
	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Accumulated Absences Account :					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	7	7	(7)	(7)	-
Total Adjustments 2012-13	7	7	(7)	(7)	-

For 2013-14 the adjustments primarily involving the accumulated absences account was £129.

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
£0 - £20,000								-
£20,001 - £40,000	-	-	2	-	2	-	62,858	-
	-	-	2	-	2	-	62,858	-

3. Pension Costs

The actual amount charged to the revenue accounts for pensions included under employees was £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: -

Description	2012-13 £	2013-14 £
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
TOTAL	38,420	52,790

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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. Provisions

These represent any provisions for stock obsolescence and bad and doubtful debts which have been charged to/from the revenue account in the year as follows:

2012-13			Movement During the year	2013-14		
Inventory £'000	Bad Debt £'000	Total £'000		Inventory £'000	Bad Debt £'000	Total £'000
(23)	(12)	(35)	Opening Balance	(23)	(5)	(28)
-	5	5	Write-Offs	-	3	3
-	2	2	Contribution to/(from) revenue	-	1	1
(23)	(5)	(28)	Closing Balance	(23)	(1)	(24)

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, net of any provisions. 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, as shown in the table below. This equates to approximately 5% of the inventory closing valuation as at 31 March 2014

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)
449	Inventory Balance at year-end	415
(23)	Inventory Provision	(23)
426	Inventory Balance at year-end net of provisions	392

9. Short Term Debtors

This represents the monies owed to the JSS Committee after making provision for debts that might not be recovered. 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. The provision for bad debts in 2013-14 was £1k (£5k 2012-13).

The main debtors are listed below:

2012-13 £'000	Short Term Debtors	2013-14 £'000
523	Other Local Authorities	744
124	Other Entities & Individuals	154
647		898

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

2012-13 £'000	Description	2013-14 £'000
647	Sundry Debtors	898
-	Accumulated absences	-
647	Total	898

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. 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
220		710

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
220	Total	710

12. 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:

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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	175
7	Transfer between reserves	-
745	Balance Carried Forward	920

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	-
88	Balance Carried Forward	88

13. 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.

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2012-13			2013-14	
£'000	£'000		£'000	£'000
	4	Balance as at 1 April		(3)
(4)		Settlement or cancellation of accrual made at the end of the proceeding year	3	
(3)		Amounts accrued at the end of the current year	(3)	
	(7)	Amounts by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements		-
	(3)	Balance as at 31 March		(3)

14. 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	-
(105)		(448)

15. 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.

Catalogue Supplies Service Joint Committee -Statement of Accounts 2013-14

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 11.

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
Total Related Parties	488	(31)	457	525	(40)	485

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
Total Related Parties Turnover	5,311	5,449

There were no other material balances at the year end.

16. 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	8,000

17. 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	12	(710)	(710)	(220)	(220)
Cash at Bank (Overdraft)	10	425	425	(23)	(23)
Short-term debtors	9	899	899	652	652
		614	614	409	409

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.

18. 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.

19. 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.

20. 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.

21. 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.

22. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Service Reporting Code of Practice*. This is in the format in which information is reported to the Joint Committee with no segmental analysis being reported as the Committee only has one operating segment. However, these reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

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

The income and expenditure of the JSS recorded in the budget reported to the Joint Committee, is as follows:

Catalogue Supplies Service Income and Expenditure	2012-13 £'000	2013-14 £'000
Fees, charges & other service income	(1,502)	(1,394)
Total Income	(1,502)	(1,394)
Employee expenses	903	792
Other operating expenses	396	373
Support Service Recharges	38	53
Total operating expenses	1,337	1,218
Net Cost of Services	(165)	(176)

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

Catalogue Supplies Service Joint Committee -Statement of Accounts 2013-14

The below reconciliation shows how the figures in the analysis of reported income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure is :-

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement	2012-13 £'000	2013-14 £'000
Cost of Services in Service Analysis	(165)	(176)
Add amounts not reported to management	7	-
Net Cost of Services in Comprehensive Income and Expenditure Statement	(158)	176

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.

Catalogue Supplies Service Joint Committee -Statement of Accounts 2013-14

International Financial Reporting Standard (IFRS)

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

Inventories

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

JSS

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

Liability

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

Movement in Reserves Statement (MIRS)

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

Net Realisable Value

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

National Non-Domestic Rates (NNDR)

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

Operating assets

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

Operating leases

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

Post balance sheet events

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

Prior year adjustment

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

Provision

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

Related party transactions

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

Reserves

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

Revenue account

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

Work in progress (WIP)

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

Proposed audit report of the Appointed Auditor to the Joint Committee

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

I have audited the accounting statements and related notes of Catalogue Supplies Service Joint Committee for the year ended 31 March 2014 under the Public Audit (Wales) Act 2004.

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

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2013-14 based on International Financial Reporting Standards (IFRSs).

Respective responsibilities of the responsible financial officer and the independent auditor

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

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

Scope of the audit of the accounting statements

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

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

Opinion on the accounting statements of Catalogue Supplies Service Joint Committee

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Catalogue Supplies Service Joint Committee as at 31 March 2014 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013-14.

Opinion on other matters

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

Matters on which I report by exception

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

Certificate of completion of audit

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

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

xx September 2014

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County Borough Supplies

Waterton
Bridgend
CF31 3YR

Tel: (01656) 766511

Fax: (01656) 766401



Cyflenwi'r Fwrdeistref Sirol

Waterton
Pen-y-bont ar Ogwr
CF31 3YR

Ffon: (01656) 766511

Ffacs: (01656) 766401

Our Ref: CBS/

Date: 25 September 2014

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

Copy to: KPMG LLP, 3 Assembly Square, Britannia Quay, Cardiff Bay, CF10 4AX

Dear Sirs

Representations regarding the 2013-14 Financial Statements

This letter is provided in connection with your audit of the financial statements of Catalogue Supplies Service Joint Committee for the year ended 31 March 2014.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

Management Representations

Responsibilities

We have fulfilled our responsibilities for the preparation of the financial statements in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2013-14; in particular the financial statements give a true and fair view in accordance therewith.

We acknowledge our responsibility for the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information Provided:

We have provided you with:

- full access to:
 - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
 - additional information that you have requested from us for the purpose of the audit; and

Joint Supplies Service

Bridgend County Borough Council
Caerphilly County Borough Council
Merthyr Tydfil County Borough Council
Rhondda Cynon Taff County Borough Council

Gwasanaethau Cyflenwi Cyfunol

Cyngor Bwrdeistref Sirol Pen-y-bont ar Ogwr
Cyngor Bwrdeistref Sirol Caerffili
Cyngor Bwrdeistref Sirol Merthyr Tudful
Cyngor Bwrdeistref Sirol Rhondda Cynon Taff

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Waterton
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Ffon: (01656) 766511

Ffacs: (01656) 766401

- unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- our knowledge of fraud or suspected fraud that we are aware of and that affects Catalogue Supplies Service Joint Committee and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
- our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others;
- our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements; and
- the identity of all related parties and all the related party relationships and transactions of which we are aware

Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. There have been no uncorrected misstatements identified during the audit.

The financial statements have been prepared on the going concern basis. This is considered appropriate by the Joint Committee, which has committed to the continuation of trading of County Borough Supplies for at least 12 months from the date of signing the financial statements.

Joint Supplies Service

Bridgend County Borough Council
Caerphilly County Borough Council
Merthyr Tydfil County Borough Council
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Representations by Catalogue Supplies Service Joint Committee

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by Catalogue Supplies Service on 25 September 2014.

Signed by:

Signed by:

Gill Lewis,

Interim Corporate Director of Resources,
S151 Officer, Bridgend County Borough
Council

TREASURER TO CATALOGUE SUPPLIES
SERVICE JOINT COMMITTEE

[Officer who signs on behalf of management]

Date:

Chairperson of the Joint Committee- Cllr D.
Sage

[Officer or Member who signs on behalf of
those charged with governance]

Date:

Joint Supplies Service

Bridgend County Borough Council
Caerphilly County Borough Council
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Cyngor Bwrdeistref Sirol Rhondda Cynon Taff

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Audit of Financial Statements Report

Catalogue Supplies Service Joint Committee

Audit year: 2013/14

Issued: September 2014

Document reference: CSSAFSR2014

Status of report

This document has been prepared for the internal use of Catalogue Supplies Service Joint Committee as part of work performed in accordance with the statutory functions.

No responsibility is taken by the Auditor General, the staff of the Wales Audit Office or, where applicable, the appointed auditor in relation to any member, director, officer or other employee in their individual capacity, or to any third party.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 Code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales, the Wales Audit Office and, where applicable, the appointed auditor are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at infoofficer@wao.gov.uk.

The audit was delivered by KPMG LLP on behalf of the Appointed Auditor. The audit team comprised Darren Gilbert (Director), Matthew Arthur (Manager) and Chloe Stone-Williams (In-charge).

Contents

Anthony Barrett, as Appointed Auditor, intends to issue an unqualified audit report on your financial statements. There are some matters to report to you prior to their approval.

Summary report

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Significant issues arising from the audit	5

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Summary of corrections made to the draft financial statements	12

Summary report

Introduction

1. Anthony Barrett, as Appointed Auditor, is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of Catalogue Supplies Service Joint Committee at 31 March 2014 and its income and expenditure for the year then ended.
2. We do not try to obtain absolute assurance that the financial statements are correctly stated, but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the accounts being misled.
3. The quantitative level at which we judge such misstatements to be material for Catalogue Supplies Service Joint Committee is £65,500. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity.
4. International Standard on Auditing (ISA) 260 requires us to report certain matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.
5. This report sets out for consideration the matters arising from the audit of the financial statements of Catalogue Supplies Service Joint Committee, for 2013-14, that require reporting under ISA 260.

Status of the audit

6. We received the draft financial statements for the year ended 31 March 2014 in advance of the 30 June 2014 deadline, and have now substantially completed the audit work.
7. We are reporting to you the more significant issues arising from the audit, which we believe you must consider prior to approval of the financial statements.

Proposed audit report

8. It is the Appointed Auditor's intention to issue an unqualified audit report on the financial statements once you have provided us with a Letter of Representation based on that set out in [Appendix 1](#).
9. The proposed audit report is set out in [Appendix 2](#).

Significant issues arising from the audit

Uncorrected misstatements

10. There are no misstatements identified in the financial statements, which remain uncorrected.

Corrected misstatements

11. There is one misstatement that has been corrected by management. This is set out with explanation in [Appendix 3](#).
12. We also suggested some minor improvements and additions to the disclosures within the financial statements which have all been incorporated into the financial statements by management.

Other significant issues arising from the audit

13. In the course of the audit, we consider a number of matters both qualitative and quantitative relating to the accounts and report any significant issues arising to you. There were no issues arising in these areas this year:
 - **We have no concerns about the qualitative aspects of your accounting practices and financial reporting.** We found the information provided to be relevant, reliable, comparable, material and easy to understand. We concluded that accounting policies and estimates are appropriate and financial statement disclosures unbiased, fair and clear. We have suggested some minor amendments to the Annual Governance Statement in order to reflect the arrangements specific to the Joint Committee; these have been incorporated into the final version of the accounts.
 - **We did not encounter any significant difficulties during the audit.** We received information in a timely and helpful manner and were not restricted in our work.
 - **There were no significant matters discussed and corresponded upon with management which we need to report to you.**
 - **There are no other matters significant to the oversight of the financial reporting process that we need to report to you.**
 - **We did not identify any material weaknesses in your internal controls**
 - **There are not any other matters specifically required by auditing standards to be communicated to those charged with governance.**

Independence and objectivity

14. As part of the finalisation process, we are required to provide you with representations concerning our independence.

-
- 15.** We have complied with ethical standards and in our professional judgment, we are independent and our objectivity is not compromised. There are no relationships between the Wales Audit Office/KPMG and Catalogue Supplies Service Joint Committee that we consider to bear on our objectivity and independence.

Appendix 1

Final Letter of Representation

(Audited Body's Letterhead)

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

KPMG LLP
3 Assembly Square
Britannia Quay
Cardiff Bay
CF10 4AX

25 September 2014

Dear Sirs

Representations regarding the 2013-14 Financial Statements

This letter is provided in connection with your audit of the financial statements of Catalogue Supplies Service Joint Committee for the year ended 31 March 2014.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

Management Representations

Responsibilities

We have fulfilled our responsibilities for the preparation of the financial statements in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2013-14; in particular the financial statements give a true and fair view in accordance therewith.

We acknowledge our responsibility for the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information Provided:

We have provided you with:

- full access to:
 - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
 - additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- our knowledge of fraud or suspected fraud that we are aware of and that affects Catalogue Supplies Service Joint Committee and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
- our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others;
- our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements; and
- the identity of all related parties and all the related party relationships and transactions of which we are aware.

Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. There have been no uncorrected misstatements identified during the audit.

The financial statements have been prepared on the going concern basis. This is considered appropriate by the Joint Committee, which has committed to the continuation of trading of County Borough Supplies for at least 12 months from the date of signing the financial statements.

Representations by Catalogue Supplies Service Joint Committee

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by Catalogue Supplies Service on 25 September 2014.

Signed by:

[Officer who signs on behalf of management]

Date:

Signed by:

[Officer or Member who signs on behalf of those charged with governance]

Date:

Appendix 2

Proposed audit report of the Appointed Auditor to the Joint Committee

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

I have audited the accounting statements and related notes of Catalogue Supplies Service Joint Committee for the year ended 31 March 2014 under the Public Audit (Wales) Act 2004.

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

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2013-14 based on International Financial Reporting Standards (IFRSs).

Respective responsibilities of the responsible financial officer and the independent auditor

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

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

Scope of the audit of the accounting statements

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

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

Opinion on the accounting statements of Catalogue Supplies Service Joint Committee

In my opinion the accounting statements and related notes:

-
- give a true and fair view of the financial position of Catalogue Supplies Service Joint Committee as at 31 March 2014 and of its income and expenditure for the year then ended; and
 - have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013-14.

Opinion on other matters

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

Matters on which I report by exception

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

Certificate of completion of audit

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

Anthony Barrett

Appointed Auditor

**Wales Audit Office,
24 Cathedral Road,
Cardiff,
CF11 9LJ**

xx September 2014

Appendix 3

Summary of corrections made to the draft financial statements

During our audit we identified the following misstatement that has been corrected by management. This is a balance reclassification adjustment with no impact on surplus.

Value of correction	Nature of correction	Reason for correction
£23,000	Dr Provisions £23,000 Cr Inventories £23,000	Reclassification of provision against inventory balance to appropriately net off against inventory balance, as provision balance is not separable from inventory.

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Cardiff CF11 9LJ

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E-bost: info@wao.gov.uk
Gwefan: www.wao.gov.uk

BRIDGEND COUNTY BOROUGH COUNCIL
CATALOGUE SUPPLIES SERVICE JOINT COMMITTEE
REPORT OF THE TREASURER
25 SEPTEMBER 2014

WRITE OFF OF UNRECOVERABLE DEBT

1. Purpose of the Report

- 1.1 The purpose of the report is to inform the Joint Committee of the unrecoverable debts over £1,000 which have been written off during the 2013-14 financial year.

2. Connection to Corporate Improvement Objectives/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 Joint Committee's accounts include a provision sufficient to cover all long-standing debt and a proportion of recent debt, which is generally collected in total within six weeks. The level of provision is reviewed on an annual basis to ensure it is maintained at a sufficient level.
- 3.2 A formal write off procedure process is in place which has been agreed with Bridgend County Borough Council's (BCBC) internal auditors.
- 3.3 A write-off of debt is only considered once all debt recovery processes possible relative to the debt value have been completed.
- 3.4 The process for the authorisation of write-offs is dependent on the value of debt as follows:
- Values less than £50 are approved by a responsible JSS officer.
 - Values more than £50 and less than £1,000, are initially authorised by a responsible JSS officer and countersigned by the BCBC Accountant supporting the service.
 - Values more than £1,000 are initially authorised by a responsible JSS officer and countersigned by the Chief Accountant at BCBC. All debts greater than £1,000 are reported to the next available Joint Committee.

4. Current situation / proposal

- 4.1 A review of the achievability of the payment of aged outstanding debts greater than £1,000 has been undertaken.
- 4.2 Only one account which meets this criteria was approved for write off during 2013-14. A debt raised in March 2009 for a gross amount of £2,875 in respect of 'catalogue sponsorship' which is no longer recoverable has been written off. The debtor has gone into liquidation and as such County Borough Supplies has been advised by the Administrators that payment will not be made.

5. Effect upon Policy Framework and Procedure Rules

- 5.1 There is no impact on the Policy Framework and Procedure Rules.

6. Equality Impact Assessment

- 6.1 There are no equality implications arising from this report.

7. Financial Implications

- 7.1 There are no financial implications regarding this report, as a provision is held for aged outstanding debts.

8. Recommendation:

- 8.1 It is recommended that Cabinet note the bad debts written off in the 2013-14 financial year.

Gill Lewis
Interim Corporate Director Resources, S151 Officer

25 September 2014

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Background Documents: None other than identified in the report.

By virtue of paragraph(s) 12 of Part 4 of Schedule 12A of the Local Government Act 1972.

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