WEST MERCIA ENERGY JOINT COMMITTEE

STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2017

WEST MERCIA ENERGY JOINT COMMITTEE

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WEST MERCIA ENERGY JOINT COMMITTEE

FINANCIAL SUMMARY
FOR THE YEAR 2016/17

Introduction

This document is the Statement of Accounts for West Mercia Energy Joint Committee. It covers the financial year 1st April 2016 to 31st March 2017 and shows the organisation's financial position at the year end together with the trading income and expenditure figures that have been produced throughout the period.

West Mercia Energy Joint Committee is a purchasing consortium established as a Joint Committee under s.101 of the Local Government Act 1972 and comprises of four Member Authorities:

- Herefordshire Council
- Shropshire Council
- Telford & Wrekin Council
- Worcestershire County Council

Each Member Authority appoints a number of their Elected Members to serve on the Joint Committee. The Joint Committee is delegated with the operation and management of the organisation and is responsible for the discharge of the functions of the Member Authorities

Following the sale of the stationery division of West Mercia Supplies Joint Committee in April 2012, the West Mercia Supplies name and most of the staff transferred as part of the sales agreement, with the energy side of the organisation remaining with the four Member Authorities. The pension liability was retained fully following the sale of the stationery division. The liability as at 31st March 2017 was £6.811 million, an increase of £1.861 million, from £4.950 million as at 31st March 2016.

In June 2013 the Joint Agreement was updated which involved the change of name of the Joint Committee from West Mercia Supplies Joint Committee to West Mercia Energy Joint Committee, and the change of voting rights. With regards the voting rights each Member Authority now has two votes whereas up to 31st March 2013 Shropshire Council and Worcestershire County Council each had three votes with Herefordshire Council and Telford & Wrekin Council having two votes each.

Professional Advice

Certain professional services are provided for Joint Committee including:

- Financial Advice
  The Member Authorities have appointed Shropshire Council as Treasurer.

- Legal Advice
  The Member Authorities have appointed Shropshire Council as Secretary.

The Treasurer and the Secretary shall liaise with officers of Member Authorities so that they comply with their responsibilities under s.5 of the Local Government and Housing Act 1989 and s.151 of the Local Government Act 1972.

The Statements

Narrative Report
This provides an effective guide to the most significant matters reported in the accounts, including an explanation of the financial position and details the performance during the financial year.

Statement of Responsibilities and Joint Committee Approval
This section deals with the financial responsibilities of the Joint Committee and the Treasurer to the Joint Committee and confirms the date when the Joint Committee approved the accounts.

Movement in Reserves Statement
This statement shows the movement in the year on the different reserves held by the Joint Committee.

Comprehensive Income and Expenditure Account
This account summarises the annual income and expenditure of the trading operations to show the organisation's net surplus for the year.

Balance Sheet
This sets out the financial position of the Joint Committee as at the year end 31st March 2017.

The Cash Flow Statement
This summarises the inflows and outflows of cash arising from the day to day transactions of the organisation.

WEST MERCIA ENERGY

Narrative report 2016/17

General

For the third consecutive year, commodity prices secured were lower than the previous year and this was the main reason for the reduction of 10% in the total turnover. These positive trading positions enabled us to set the capped sales prices at levels lower than 2015/16.

The net operating surplus of £1.037 million for the year 2016/17 represented a fall in profits from the previous year reflecting the energy market conditions experienced within the financial year. In the previous four financial years energy market prices had fallen within the financial year resulting in improvements in our traded energy positions through the innovative WME buying strategy. Given the challenging market conditions experienced within the year, as detailed below, it is most reassuring that the strategy provided protection from the vast majority of the rises evident in the market.

The net liability position of the Joint Committee is reflective of the pension liability which was retained fully following the sale of the stationery division in 2012. The Joint Committee's retirement benefits liability increased by £1.861 million (from £4.950 million to £6.811 million) during the financial year 2016/17. The main reason for the increase in liability is the loss on financial assumptions over the year offset to some extent by the high investment returns achieved by the assets of the pension fund. Over 2016/17 corporate bond yields fell significantly which resulted in a reduction in the discount rate used in the accounting calculations from 3.6% p.a. at 31st March 2016 to 2.5% p.a. at 31st March 2017. A similar fall in index linked gilt yields caused assumed CPI inflation to increase from 2.0% p.a. to 2.3% p.a. The pension liability is detailed further within note 17 on pages 32-37.

As at 31st March 2017, the net liabilities of the Joint Committee stood at £5.059 million (£2.157 million at 31st March 2016).

The net working capital of the Joint Committee continues to be closely monitored and this has resulted in a strong performance throughout 2016/17.

Market Overview

Gas prices reached historic low levels around February 2016 having been in a long-term downward trend. This was partly due to falls in oil prices and partly due to healthy supply margins caused by a long period of unseasonably warm weather. This helped to mask underlying problems with supply, especially for electricity where generation margins have been reducing in recent years as a result of a loss of generation capacity. These issues came to the fore in April 2016 when several coal fired power stations closed. This loss of coal production increased the reliance on gas fired power stations and consequently the demand for gas, leading to increases in the market price of gas.

After April, the EU referendum began to heavily influence the markets with the uncertainty ensuing from a potential vote to leave the EU having an adverse effect on the markets, along with the direct effects of a weaker pound. These market movements were exacerbated by an announcement from Centrica regarding the Rough storage facility, by far the largest gas storage site in the UK accounting for approximately 70% of storage capacity. Typically, gas is injected into Rough during the summer with a view to withdrawing it during the periods of peak demand in winter. Centrica announced safety concerns regarding several of the storage wells and suspended further injections until early August. In July, it was announced that storage injections would be suspended until March 2017 at the earliest. Both these announcements had an immediate impact on gas prices for the winter.

The combination of supply concerns and the impact of the vote to leave the EU saw winter gas prices peak at the end of July after which we saw a period of falling prices. As a result of the restrictions on injections into the Rough storage facility there was a surplus of available gas during the summer which resulted in historic low prices for gas on the Day Ahead market. Once again this masked the real concerns regarding availability of supply for both gas and electricity, concerns which reasserted themselves as we approached winter. In their winter outlook report the National Grid highlighted the issues regarding generation margins for the winter months, and the relative importance of imports of electricity from France. In October EDF announced that several nuclear outages effecting their plants in France had been extended amidst safety concerns. As a result of this announcement French electricity prices rose significantly leading to similar increases in UK electricity prices. These supply concerns persisted throughout the winter, with any sustained periods of colder weather resulting in short term price spikes, with markets particularly volatile.

As a result of the above factors, by the end of the financial year we saw year-on-year increases in energy market prices of 33% for gas and 25% for electricity but as referred to above the trading strategy provided protection against the majority of these market rises.

Energy market prices will continue to be the key factor affecting the level of turnover and net result of WME in the future. Due to the market factors detailed above, energy commodity prices for 2017/18 are above 2016/17 levels. Furthermore, the rises in electricity non-commodity costs continues to affect the total billed cost levels. These charges include network charges and governmental levies and now make up some 60% of the total electricity costs.

Further Information

For further information about the Joint Committee’s Statement of Accounts, please contact:

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STATEMENT OF RESPONSIBILITIES AND JOINT COMMITTEE APPROVAL

Responsibilities of West Mercia Energy Joint Committee

West Mercia Energy 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 this organisation, that officer is the Treasurer to the Joint Committee. Day to day financial management is the responsibility of the Director. The Director is also responsible for:

    i. keeping proper accounting records, which are up to date.

    ii. taking reasonable steps for the prevention and detection of fraud and other irregularities.

- to manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets.

- to approve the Statement of Accounts.

Responsibilities of the Treasurer to the Joint Committee

The Treasurer to the Joint Committee, with support from the Director, is responsible for the preparation of West Mercia Energy Joint Committee Statement of Accounts which, in terms of the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom ('the Code'), is required to provide a true and fair view of the financial position of the organisation at the accounting date and its income and expenditure for the year ended 31st March 2017.

In preparing this Statement of Accounts the Treasurer to the Joint Committee has:

- selected suitable accounting policies and then applied them consistently;

- made judgements and estimates that were reasonable and prudent;

- complied with the Code;

- applied the concept of 'going concern' by assuming that Joint Committee's services will continue to operate for the foreseeable future.

The Treasurer to the Joint Committee has also to:

- ensure proper accounting records are kept, which are up to date;

- take reasonable steps for the prevention and detection of fraud and other irregularities.

APPROVAL OF THE STATEMENT OF ACCOUNTS

Treasurer to the Joint Committee

In accordance with the Accounts and Audit (England) Regulations 2015 I certify that the Committee's Statement of Accounts provides a true and fair view of the financial position of the West Mercia Energy Joint Committee at 31st March 2017 and its income and expenditure for the year ended 31st March 2017.

James Walton
Treasurer to the Joint Committee

Joint Committee Approval

In accordance with the Accounts and Audit (England) Regulations 2015 I certify that the West Mercia Energy Joint Committee approved the Statement of Accounts for the year ended 31st March 2017.

Cllr Philip Price
Chairman of the
West Mercia Energy Joint Committee

Date:

MOVEMENT IN RESERVES STATEMENT
AS AT 31 MARCH 2017

This statement shows the movement in the year on the different reserves held by the Joint Committee. The gain or (loss) for the year shows the true economic cost of the Joint Committee's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

	General fund	Pensions reserve	Joint Committee capital adjustment account	Total reserves
		Note 19	Note 20	
	£000	£000	£000	**£000**
Balance at 31 March 2016	**2,766**	**-4,950**	**27**	**-2,157**
Total comprehensive income & expenditure	-2,902	-	-	**-2,902**
Transfer to/from Reserves	1,875	-1,861	-14	**0**
Increase/(decrease) in year	-1,027	-1,861	-14	-2,902
Balance at 31 March 2017	**1,739**	**-6,811**	**13**	**-5,059**

Pensions Reserve
The Pensions Reserve represents the difference between the actuarially calculated value of the pension fund assets and the present value of the scheme liabilities.

Joint Committee Capital Adjustment Account
The Joint Committee Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets as if in accordance with statutory provisions.

MOVEMENT IN RESERVES STATEMENT (CONTINUED)
AS AT 31 MARCH 2016

	General fund	Pensions reserve	Joint Committee capital adjustment account	Total reserves
		Note 19	Note 20	
	£000	£000	£000	**£000**
Balance at 31 March 2015	**2,673**	**-5,361**	**25**	**-2,663**
Total comprehensive income & expenditure	506	-	-	**506**
Transfer to/from Reserves	-413	411	2	**-**
Increase/(decrease) in year	93	411	2	506
Balance at 31 March 2016	**2,766**	**-4,950**	**27**	**-2,157**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

FOR THE YEAR ENDED 31 MARCH 2017

This Statement shows the accounting income and cost in the year of providing services in accordance with generally accepted accounting practice.

	Notes	2016-2017 £000	2015-2016 £000
INCOME			
Turnover	**6**	-56,757	-63,177
Less cost of goods sold		55,513	60,902
Gross profit		-1,244	-2,275
Other trading operation income		-672	-708
Gross Profit		**-1,916**	**-2,983**
OPERATING EXPENSES			
Employees	**8**	683	670
Pension impact (IAS19)	**17**	-143	-119
Premises		35	37
Supplies & services		67	86
Central departmental & technical support	**9,10**	73	73
Provision for bad debts		1	-1
Depreciation		15	14
Total Operating Expenses		**731**	**760**
SURPLUS OF SERVICES		**-1,185**	**-2,223**
Financing and investment income and expenditure	**7**	148	144
NET OPERATING SURPLUS		**-1,037**	**-2,079**
Distribution to Member Authorities		2,110	2,039
NET LOSS / (GAIN) FOR THE YEAR		**1,073**	**-40**
OTHER COMPREHENSIVE INCOME & EXPENDITURE			
Remeasurements (Liabilities & Assets)	**17**	1,829	-466
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE		**2,902**	**-506**

BALANCE SHEET
AS AT 31 MARCH 2017

The Balance Sheet shows the value as at the Balance Sheet date of the asset and liabilities recognised by the Joint Committee. The net assets of the Joint Committee (assets less liabilities) are matched by the reserves held by the Joint Committee.

31 March 2016 £000		31 March 2017 £000	Notes
27	Plant & equipment	13	11
27	**Long term assets**	**13**	
9,151	Short term debtors	8,979	14
4,950	Cash and cash equivalents	3,674	15
14,101	**Current assets**	**12,653**	
-11,335	Short term creditors	-10,914	16
-11,335	**Current liabilities**	**-10,914**	
2,766	**Net current assets**	**1,739**	
-4,950	Other long term liabilities	-6,811	17
-4,950	**Long term liabilities**	**-6,811**	
-2,157	**Net liabilities**	**-5,059**	
	Financed by:		
2,766	General fund	1,739	
-4,950	Pensions reserve	-6,811	
27	Joint Committee capital adjustment account	13	
-2,157	**Total reserves**	**-5,059**	18

CASHFLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2017

The Cash Flow Statement shows the changes in cash and cash equivalents of the Joint Committee during the reporting period. The statement shows how the Joint Committee generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Joint Committee's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the Joint Committee.

2015-2016		2016-2017		
£000		£000	£000	Notes
	Operating activities			
	Cash outflows			
678	Cash paid to and on behalf of employees	669		
195	Other operating costs	176		
63,184	Cost of goods sold	55,948		
64,057			56,793	
	Cash inflows			
-64,740	Turnover	-56,929		
-708	Other trading operation income	-672		
-65,448			-57,601	
-1,391	**Net cash inflow from operating activities**		-808	**21.1**
-14	**Investing activities**		-26	**21.2**
2,039	**Financing activities**		2,110	**21.3**
634	**Net decrease/(increase) in cash and cash equivalents**		**1,276**	**21.4**
5,584	Cash and cash equivalents at 1st April		4,950	
4,950	Cash and cash equivalents at 31st March		**3,674**	**21.4**

WEST MERCIA ENERGY

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies

1.1 General Principles

This Statement of Accounts for 2016/17 summarises the Joint Committee's transactions for the 2016/17 financial year and its position at 31 March 2017. The accounts have been prepared in accordance with Code of Practice on Local Authority Accounting in the United Kingdom 2016/176 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code Board, as far as it is practicable and applicable to the Joint Committee, supported by International Financial Reporting Standards (IFRS). The nature of the Joint Committee as a purchasing consortium means that full compliance is not always possible for example the Comprehensive Income and Expenditure Account layout shows the income first and then all the expenditure grouped by type of expense. This differs from Local Authority Accounting, but this layout does allow a reader to interpret the statement in relation to the industry the Joint Committee operates in. The Joint Committee has prepared an annual Statement of Accounts in line with the Accounts and Audit (England) Regulations 2015.

1.2 Concepts

The Statement of Accounts have been prepared in accordance with all prevailing concepts of accrual and going concern together with relevance, reliability and comparability. The going concern concept assumes that the organisation will continue in operational existence for the foreseeable future. The management of WME are of this view as the Joint Agreement is in place to 31st March 2020 and both supplier and customer contracts are in place beyond 31st March 2018.

1.3 Legislation

Where specific legislative requirements regarding accounting treatment conflict with the Joint Committee's own accounting policies, legislative requirements shall apply.

1.4 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policy or to correct a material error. Changes in accounting estimates are accounted for prospectively ie in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the changes provide more reliable or relevant information about the effect of transactions, other events and conditions on the Organisations' financial position or financial performance.

Where a change is made it is made retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparable amounts for the prior period.

1.5 Accruals of Expenditure and Income

Revenue and capital transactions are accounted for on an accruals basis. This means that all revenue income is recorded when the debt has been established rather than when money has been received. Similarly, expenditure is recorded when it is owed rather than when the payment is made.

Sums owed to the Joint Committee as at 31st March are included as debtors. Sums still owed by the Joint Committee at 31st March are included as creditors.

1.6 Plant and Equipment and Motor Vehicles

Under s102 of the local Government Act 1972, a Joint Committee does not have sufficient corporate status to acquire assets. However, given that the Joint Committee both accrues the economic benefits from and assumes liabilities for its Building assets, the “substance over form” policy justifies the inclusion of the assets in the Organisation’s accounts.

Plant and equipment and motor vehicles are tangible assets (ie assets with physical substance) that are held for use in the production or supply of goods and services, or for administrative purposes, and are expected to be used during more than one period.

Recognition
The cost of an item of plant and equipment and motor vehicles is recognised (and hence capitalised) as an asset on the Balance Sheet if:

- it is probable that the future economic benefits or service potential associated with the item will flow to the organisation;
- the cost of the item can be measured reliably; and
- has a value in excess of £500.

Costs that meet the recognition principle include initial costs of acquisition and construction, and costs incurred subsequently to enhance, replace part of, or service the asset. Subsequent costs arising from day-to-day servicing of an asset (ie labour costs and consumables), commonly referred to as ‘repairs and maintenance’, are not capitalised if they do not meet the recognition principle because the expenditure does not add to the future economic benefits or service potential of the asset and is charged to revenue, when it is incurred.

Initial Measurement
Expenditure on the acquisition, creation and enhancement of plant and equipment, with a value in excess of £500, that qualifies for recognition is capitalised on an accruals basis in the accounts. To be capitalised, the expenditure must be for assets yielding benefits to the Joint Committee for a period of greater than one year.

Measurement After Recognition
Plant and equipment are valued on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS). Plant and equipment are classified into the groupings required by the Local Authority Code and are included in the Balance Sheet net of depreciation.

Derecognition
The carrying amount of an item of plant and equipment shall be derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from derecognition of an asset shall be the difference between the net disposal proceeds, if any, and the carrying amount of the asset. The gain or loss arising from derecognition of an asset shall be included in the Surplus or Deficit on the Provision of Services when the item is derecognised.

If the asset derecognised was carried at a revalued amount an additional entry is required; the balance of the Revaluation Reserve in respect of asset derecognised is written off to the Joint Committee Capital Adjustment Account and reported in the Movement in Reserves Statement.

Depreciation
Depreciation is provided on tangible fixed assets calculated by using the straight-line method where appropriate.

Depreciation and amortisation are charged over the finite useful life of each asset, based on their value, these lives, and methods of valuation, being as follows:

Asset and Method of Valuation	**Depreciation/Amortisation Period**
Computer Equipment (Historical Cost)	3 years
Office Equipment (Historical Cost)	3 years
Fixtures & Fittings (Historical Cost)	3 years
Motor Vehicles (Historical Cost)	3 years

Where the carrying amount of an item of plant and equipment is decreased as a result of a revaluation, ie a significant decline in an asset's carrying amount during the period that is not specific to the asset (as opposed to an impairment), the decrease is recognised in the Revaluation Reserve up to the credit balance existing in respect of the asset (ie up to its historical cost) and thereafter charged to the Net Surplus or Deficit for the Year.

Componentisation
Where components of an asset are significant in value in relation to the total value of the asset as a whole and they have substantially different economic lives, they should be recognised and depreciated separately. The requirement for componentisation for depreciation purposes is applicable to enhancement and acquisition expenditure and revaluations carried out from 1st April 2010.

Impairment
At the end of each reporting period an assessment takes place as to whether there is any indication that an asset may be impaired. Examples of events and changes in circumstances that indicate an impairment may have incurred include:

- a significant decline (ie more than expected as a result of the passage of time or normal use) in an asset's carrying amount during the period, that is specific to the asset;
- evidence of obsolescence or physical damage of an asset;
- a commitment by the organisation to undertake a significant reorganisation; or
- a significant adverse change in the statutory or other regulatory environment in which the organisation operates.

An impairment loss on a revalued asset is recognised in the Revaluation Reserve (to the extent that the impairment does not exceed the amount in the Revaluation Reserve for the same asset) and thereafter charged to the Net Surplus or Deficit for the Year.

1.7 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that are readily convertible to known amounts of cash with insignificant risk of change in value. The Joint Committee holds no cash equivalents.

1.8 Debtors and Creditors

The revenue accounts of the Joint Committee are maintained on an accruals basis in accordance with the Code. That is, sums due to or from the Joint Committee during the year are included whether or not the cash has actually been received or paid in the year.

1.9 Reserves

The Code of Practice makes provision for usable and unusable reserves. Unusable reserves are statutory reserves that are not applicable to Joint Committees.

General Fund Balance
The Balance Sheet includes a sum for the General Fund Balance. This shows the total unused accumulated net surplus for the Joint Committee carried forward to 2017/18.

Pensions Reserve
The Pensions Reserve represents the difference between the actuarially calculated value of the pension fund assets and the present value of the scheme liabilities.

Joint Committee Capital Adjustment Account
This represents the difference between the costs of fixed assets consumed and the financing set aside to pay for them.

1.10 Employee Benefits

The accounting policy relating to the treatment of benefits payable during employment and post-employment benefits is consistent with IAS 19 Employee Benefits.

Benefits Payable During Employment
Where the accumulating short-term absences (eg annual leave and flexi time earned by employees but not taken at 31st March) are not material, these are not accrued for in the accounts.

Post-Employment Benefits
As part of the terms and conditions of employment of its employees, the Joint Committee offers retirement benefits. These benefits will not be payable until retirement but the Joint Committee has a commitment to make payments that need to be disclosed at the time that the employees earn their future entitlement.

The Joint Committee participates in the Shropshire County Pension Fund, which is a funded Defined Benefit scheme.

The liabilities of the Pension Fund attributable to the Joint Committee are included in the Balance Sheet on an actuarial basis using the project unit method - ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc and projections of projected warnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 2.5% (based on the indicative rate of return on high quality corporate bonds of appropriate duration).

The assets of Shropshire County Pension Fund attributable to the Joint Committee are included in the Balance Sheet at their fair value:

quoted securities – current bid price
unquoted securities – professional estimate
unitised securities – current bid price
property – market value.

The change in the net pensions liability is analysed into the following components:

- Service cost comprising:

  current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the service expenditure

  past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on Services in the Comprehensive Income and Expenditure Statement

  net interest on the net defined benefit liability (asset), ie net interest expense for West Mercia Energy Joint Committee – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- Remeasurements comprising:
  - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

- Contributions paid to the Shropshire County Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, the General Fund Balance is to be charged with the amount payable by the Joint Committee to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

1.11 Interest

Interest receivable from investments is recognised in the financial statements during the period in which it became due to the Joint Committee.

Interest payable to Member Authorities is recognised in the financial statements during the period in which it became due by Joint Committee.

1.12 Foreign Currency

Foreign currency transactions are converted to sterling at the exchange rate applicable on the date of the transaction. There were no foreign currency transactions during the year.

1.13 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. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events;
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

There were no such events after the Balance Sheet date which need to be considered.

1.14 Provisions

Provisions are made where an event has taken place that gives the Joint Committee a legal or constructive obligation that requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provisions are charged as an expense to the appropriate line in the Comprehensive Income and Expenditure Statement in the year that the Joint Committee becomes aware of the obligation, and measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation. When payments are made they are charged to the provision carried in the Balance Sheet.

The bad debt provision is made up of a general provision for all debts over 12 months old plus any specific debts which are less than 12 months old.

1.15 Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

1.16 Distribution of Surplus to Member Authorities

The Joint Agreement requires the Joint Committee to determine the level of accumulated surplus that shall be retained for various reserve purposes. In practice the Joint Committee typically takes its decision in October. The decision is taken in the light of known accumulated surplus, a view at that point of the amount to be retained for contingency, future investment or other reserve purposes, including a consideration of performance, risks and development proposals at that time. The distribution made to Member Authorities is then charged to the Comprehensive Income and Expenditure Statement in the year that it is agreed by the Joint Committee.

2. Accounting standards that have been issued but have not yet been adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2017/18 Code:

Amendment to the reporting of pension fund scheme transaction costs

Amendment to the reporting of investment concentration

It is anticipated that the introduction of these standards will not have a material impact on the financial statements.

3. Critical judgements in applying accounting policies

We've generally complied with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code), but where the Code doesn't apply, or is not relevant to the nature of the business, we've made critical judgements on the presentation.

In applying the accounting policies set out in Note 1, the Joint Committee has had to consider certain judgements about complex transactions or those involving uncertainty about future events.

There are no critical judgements made in the Statement of Accounts.

4. Expenditure and funding analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources in comparison with those resources consumed or earned in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2016/17

	As Reported to Management £'000	Adjustment to arrive at the net amount chargeable to the General Fund £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure Chargeable to the General Fund Balance £'000
Energy	1,105	45	1,150	1,876	3,026
Services/Support services	-53	-60	-113		-113
Net cost of Services	1,052	-15	1,037	1,876	2,913
Other Income and Expenditure			-1,829		-1,829
Distribution of Surplus to Member Authorities			-2,110		-2,110
Surplus or (Deficit)			-2,902	1,876	-1,026
Opening General Fund					2,766
Capital Purchases funded from General Fund					-1
Less Deficit on General Fund					-1,026
Closing General Fund					1,739

2015/16

	As Reported to Management £'000	Adjustment to arrive at the net amount chargeable to the General Fund £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure Chargeable to the General Fund Balance £'000
Energy	2,168	32	2,200	-397	1,803
Services/Support services	-68	-53	-121		-121
Net cost of Services	2,100	-21	2,079	-397	1,682
Other Income and Expenditure			466		466
Distribution of Surplus to Member Authorities			-2,039		-2,039
Surplus or (Deficit)			506	-397	109
Opening General Fund					2,673
Capital Purchases funded from General Fund					-16
Plus Surplus on General Fund					109
Closing General Fund					2,766

4a. Note to the expenditure and funding analysis

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts

2016/17

	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000
Net Cost of Services	15	1,861		1,876
Other income and expenditure from the Expenditure and Funding Analysis		-1,829		-1,829
Capital Purchases funded from General Fund	-1			-1
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	14	32	0	46

2015/16

	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000
Net Cost of Services	14	-411		-397
Other income and expenditure from the Expenditure and Funding Analysis		466		466
Capital Purchases funded from General Fund	-16			-16
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	-2	55	0	53

4b. Analysis of income and expenditure by nature

Income received on a segmental basis is analysed below:

	2016/17 Income from Services £000	2015/16 Income from Services £000
Energy Sales	56,420	62,394
Other Income	337	783
Total income analysed on a segmental basis	56,757	63,177

An analysis of Expenditure is shown on the face of the Comprehensive Income and Expenditure Statement

5. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures based on assumptions made by the Joint Committee. Estimates are made taking into account historical experience, current trends and other relevant factors. There is, however, a risk that actual results could be materially different from the assumptions and estimates.

The items in the Joint Committee's Balance Sheet at 31 March 2017 for which there is a risk of material adjustment in the forthcoming year are as follows:

Item	Uncertainties	Effect if Actual Results Differ From Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates, and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a one year increase in life expectancy would result in an increase in the pension liability of £326,000. However the assumptions interact in complex ways. During 2016/17 the actuaries advised that the net pensions liability had increased by £1,861,000.

6. Turnover

Turnover is the VAT exclusive total of invoiced sales for energy.

7. Financing and Investment Income and Expenditure

Interest and Investment Income
The Joint Committee's daily bank balances are invested with Shropshire Council balances. Interest is debited or credited to the Joint Committee on the basis of the level of daily bank balances invested.

	2016/17	2015/16
	£000	£000
Pensions interest cost and expected return on pensions	175	174
Interest receivable and similar income	-27	-30
Total	**148**	**144**

8. Staff Remuneration

In 2016/17 the number of employees who received remuneration in excess of £50,000 fell into the following bands:

Band	Number of Employees	
	2016/17	2015/16
£ 65,000 to £ 69,999	1	1

Remuneration for these purposes includes all sums paid to an employee by way of salary, expenses, profit related pay and the money value of any other benefits received other than cash.

There are no staff members receiving remuneration between £50,000 and £64,999 so the staff remuneration table above has been adjusted accordingly.

Disclosure of Remuneration for Senior Employees

2016/17

Post Title	**Salary** (inc fees & allowances) £	**Bonuses** (PRP) £	**Pension Contributions** £	**Total Remuneration** (inc pension contribution) £
Director	62,443	6,973	5,761	75,177
	62,443	**6,973**	**5,761**	**75,177**

2015/16

Post Title	**Salary** (inc fees & allowances) £	**Bonuses** (PRP) £	**Pension Contributions** £	**Total Remuneration** (inc pension contribution) £
Director	61,824	6,207	5,647	73,678
	61,824	**6,207**	**5,647**	**73,678**

There are no compulsory redundancies or staff members receiving exit packages in 2015/16 or 2016/17.

9. Audit Costs

During 2016/17 the Joint Committee incurred the following fees in respect of external audit and inspection.

	2016/17 £000	**2015/16** £000
Fees payable to External Auditors with regard to external audit services	13	13

10. Related Party Transactions

The Joint Committee is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Joint Committee or to be controlled or influenced by the Joint Committee. Disclosure of these transactions allows readers to assess the extent to which the Organisation might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Organisation.

Members and Officers
Members of the Joint Committee have direct control over the Joint Committee's financial and operating policies. Certain senior officers may also be in a position to influence policies, particularly those who form the Organisation's management team. All members and senior officers have been written to, advising them of their obligations and asking for any declarations of related party transactions to be disclosed.

The Joint Committee Members are also members of other local organisations (for example county councils). No other personal or prejudicial interest in the material transactions of the Joint Committee has been disclosed by any of the Joint Committee Members or by any of the senior management. The Joint Committee is owned by four Member Authorities. Membership entitles the authorities to a share of any surplus generated by the Joint Committee. For clarity, the turnover with each Member Authority was:

	2016/17 £000	2015/16 £000
Herefordshire Council	1,523	1,936
Shropshire Council	3,344	3,622
Telford & Wrekin Council	3,380	3,649
Worcestershire County Council	5,263	5,418

Included within Central Departmental Costs are the following amounts for services provided by Shropshire Council during the year:

	2016/17 £000	2015/16 £000
Human Resources Support Services	2	2
Payroll Services	1	1
Treasury Services	4	4
Committee Services	6	6
Financial Advice	12	12
Internal Audit	10	10
ICT support	8	5
Legal Services	8	8
Procurement	6	6

Included within Central Departmental Costs are the following amounts for services provided by Telford & Wrekin Council during the year:

	2016/17 £000	2015/16 £000
ICT support	2	4

11. Plant & Equipment

	Plant, Equipment and Motor Vehicles 2016/17 £000	Plant, Equipment and Motor Vehicles 2015/16 £000
Cost / Valuation		
As at 1 April	73	60
Additions	1	16
Disposals	-	(3)
As at 31 March	74	73
Accumulated Depreciation		
As at 1 April	46	35
Charge	15	14
Relating to disposals	-	(3)
As at 31 March	61	46
Net Book Value		
As at 31 March 2017	**13**	**27**
As at 31 March 2016	27	25

All plant and equipment are valued at cost depreciated over their anticipated useful life, commencing in the year of acquisition.

12. Contractual Commitments

West Mercia Energy has a lease agreement on the business premises, at a value not material to the accounts.

There were no capital commitments for the year ended 31st March 2017.

13. Financial Instruments

Categories of Financial Instruments

The Joint Committee has the following categories of financial instruments carried in the Balance Sheet. These categories are all classified as having insignificant risk.

	Long term		Current	
	31 March 2017 £000	31 March 2016 £000	31 March 2017 £000	31 March 2016 £000
Debtors:				
Financial assets carried at contract amounts	-	-	8,979	9,151
Total included in Debtors	-	-	8,979	9,151
Creditors:				
Financial liabilities carried at contract amount	-	-	10,851	11,250
Total included in Creditors	-	-	10,851	11,250

Income, Expense, Gains and Losses

	2016/17					2015/16				
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Assets: Available for sale £000	Assets and Liabilities at Fair Value through Profit and Loss £000	Total £000	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Assets: Available for sale £000	Assets and Liabilities at Fair Value through Profit and Loss £000	Total £000
Interest expense	-	-	-	-	-	-	-	-	-	-
Total expense in Surplus or Deficit on the Provision of Services	-	-	-	-	-	-	-	-	-	-
Interest income	-	27	-	-	27	-	30	-	-	30
Total income in Surplus or Deficit on the Provision of Services	-	27	-	-	27	-	30	-	-	30
Gains/losses on revaluation	-	-	-	-	-	-	-	-	-	-
Net gain for the year	-	27	-	-	27	-	30	-	-	30

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- No early repayment or impairment is recognised;
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount;
- The fair value of Creditors is taken to be the invoiced or billed amount.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

Nature and Extent of Risks Arising from Financial Instruments

The organisation's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Joint Committee.
- Liquidity risk – the possibility that the Joint Committee might not have funds available to meet its commitments to make payments
- Market risk – the possibility that financial losses might arise from changes in such measures as interest rates.

Credit Risk

Credit risks arise from deposits with banks and from credit exposures to the organisation's customers. Deposits are made managed by Shropshire Council and are made with banks which satisfy criteria as outlined in Shropshire Council's creditworthiness policy.
Customer debt is managed in accordance with the Joint Committee Credit Management Policy. The level of debt written off each financial year is negligible with the net position of write offs over the last three financial years being less 0.01% of turnover.

Liquidity Risk

In order to support seasonal trade variations, the Joint Committee has a treasury arrangement with Shropshire Council that provides ready access to liquid funds for short-term borrowing at market interest rates.

Market Risk

The Joint Committee is exposed to interest rate risk in terms of its exposure to rate movements on its bank deposits and short-term borrowings. The impact on the Income and Expenditure Account for rate changes on interest receivable and payable on such transactions is nominal in relation to the Joint Committee's turnover.

14. Short Term Debtors

	31 March 2017 £000	31 March 2016 £000
Member Authorities	1,862	1,928
Other Local Authorities	7,035	7,089
Bodies external to general government	82	134
	8,979	**9,151**

The amounts due from “Member Authorities” referred to in the above table also include the amounts due from related parties, as follows:

	31 March 2017 £000	31 March 2016 £000
Herefordshire Council	415	451
Shropshire Council	443	419
Telford & Wrekin Council	436	468
Worcestershire County Council	568	590
	1,862	**1,928**

15. Cash and Cash Equivalents

	Opening Balance 1st April 2016 £000	Movement During the Year £000	Closing Balance 31st March 2017 £000
Bank current accounts	**4,950**	**(1,276)**	**3,674**

16. Short Term Creditors

	31 March 2017 £000	31 March 2016 £000
Member Authorities	396	454
Other Local Authorities	1,324	2,260
Bodies external to general government	9,194	8,621
	10,914	**11,335**

17. IAS 19 Employee Benefits

As part of the terms and conditions of employment of its employees, the Joint Committee offers retirement benefits. These benefits will not be payable until retirement but the Joint Committee has a commitment to make payments that need to be disclosed at the time that the employees earn their future entitlement.

The Joint Committee participates in the Shropshire County Pension Fund, which is a funded Defined Benefit scheme. This means that retirement benefits are determined independently of the investments of the fund and the Joint Committee has an obligation to make contributions where assets are insufficient to meet employee benefits. The Joint Committee and its employees pay contributions into the fund which is calculated at a level intended to balance pension liabilities with investment assets. The Joint Committee recognises the cost of retirement benefits in the cost of employees when they are earned rather than when the benefits are paid as pensions.

The principal risks to the Joint Committee of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (ie large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme.

The following transactions have been made in the Comprehensive Income and Expenditure Account and the Movement in Reserves Statement during 2016/17.

	2016/17 £000	2015/16 £000
Comprehensive Income & Expenditure Account		
Operating Expense (Employees):		
• Current Service Cost	72	80
• Administration Expenses	2	2
• Employers Contributions	-217	-201
Pension Impact (IAS19)	-143	-119
Financing and Investment Income and Expenditure:		
• Net Interest Cost	175	174
Total Post-employment benefits contained within Net Operating Surplus	**32**	**55**
Other Comprehensive Income & Expenditure:		
Remeasurement of the net defined benefit liability comprising;		
Return on plan assets (excluding the amount included in the net interest expense)	-1,424	301
Actuarial (gains) and losses arising on changes in Financial assumptions	3,253	-767
Total Post-employment Benefits contained within the Other Comprehensive Income and Expenditure	**1,829**	**-466**
Net charge to Comprehensive Income & Expenditure Account	**1,861**	**-411**

	2016/17 £000	2015/16 £000
Movement in Reserves Statement:		
Reversal of net charges made for retirement benefits in accordance with IAS19	-249	-256
Actual Amount Charged against the General Fund Balance for Pensions in the Year:		
• Employers contributions payable to the Scheme	217	201
Remeasurement of the net defined liabilities	-1,829	466
Movement on Pensions Reserve	**-1,861**	**411**

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Joint Committee's obligation in respect of its' defined benefit plans is as follows;

	2016/17 £000	2015/16 £000
Present Value of the defined benefit obligation	16,720	13,397
Fair Value of plan assets	-9,909	-8,447
Net liability arising from defined benefit obligation	6,811	4,950

Reconciliation of the Movements in the Fair Value of the Scheme (Plan) Assets:

	2016/17	2015/16
	£000	£000
Opening fair value of scheme assets	-8,447	-8,572
Interest income	-299	-281
Remeasurement gain		
The return on Plan assets	-1,424	301
Employer contributions	-217	-201
Contributions by scheme participants	-26	-28
Benefits paid	502	332
Administration Expenses	2	2
At 31 March	**-9,909**	**-8,447**

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation):

	Funded	Liabilities
	2016/17	2015/16
	£000	£000
At 1 April	13,397	13,933
Current Service Cost	72	80
Interest cost	474	455
Contributions by scheme participants	26	28
Remeasurement (Liabilities)		
• Experience (gain)/loss	26	-
• Actuarial (gains)/losses on financial assumptions	3,460	-767
• (Gain)/Loss on demographic assumptions	-233	-
Benefits paid	-502	-332
At 31 March	**16,720**	**13,397**

Pension Scheme Assets

	Fair value of Scheme Assets	
	2016/17	2015/16
	£000	£000
Cash & Cash Equivalents		
• Cash Accounts	222	145
Cash Total	**222**	**145**
Equity Instruments		
• UK Quoted	819	634
• Global quoted	4,598	3,680
Equity Instruments Total	**5,417**	**4,314**
Bonds		
• UK Government indexed	-	938
• Overseas –Global Fixed Income	599	-
• Other Class 1 – Grade Credit	-	616
• Other Class 2 – Absolute return bonds	1,468	619
Bonds Total	**2,067**	**2,173**
Property		
• Property Funds	441	452
Property Total	**441**	**452**
Private Equity	436	370
Private Equity Total	**436**	**370**
Other Investment Funds		
• Infrastructure	238	125
• Hedge Funds	681	868
• BMO – LDI manager	407	-
Other Total	**1,326**	**993**
Total assets	**9,909**	**8,447**

All scheme assets have quoted prices in active markets

Basis for Estimating Assets and Liabilities

The liabilities of the scheme have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent upon assumptions including mortality rates and salary levels.

The Pension Fund liabilities have been assessed by Mercer Human Resource Consulting Limited who are independent actuaries.

The significant assumptions used by the actuary have been:

	2016/17	2015/16
Mortality assumptions:		
Longevity at 65 for current pensioners (years):		
Men	23.0	23.9
Women	26.2	26.4
Longevity at 65 for future pensioners (years):		
Men	25.2	26.2
Women	28.5	29.2
Rate of CPI Inflation	2.3%	2.0%
Rate of Increase in Salaries	3.8%	3.5%
Rate of Increase in Pensions	2.3%	2.0%
Rate for Discounting Scheme Liabilities	2.5%	3.6%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, ie on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Impact on the Defined Benefit Obligation in the Scheme*	
	Increase in Assumption	**Decrease in assumption**
	£000	**£000**
Longevity (increase or decrease in 1 year)	17,046	16,394
Rate of inflation (increase or decrease by 0.1%)	17,003	16,437
Rate of increase in salaries (increase or decrease by 0.1%)	16,733	16,707
Rate of increase in pensions (increase or decrease by 0.1%)	17,003	16,437
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	16,442	16,998

*The current Defined Benefit Obligation as at 31st March 2017 is £16.720 million

Techniques Employed to Manage Risk

The Shropshire County Pension Fund does not hold an Asset & Liability Matching Strategy however does use other techniques to manage risks within the Fund. The Fund's primary long term risk is that the Fund's assets will fall short of its liabilities (i.e promised benefits to pay members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price, currency and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows.

Impact on the Joint Committee's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Joint Committee has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 19 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2019.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Joint Committee anticipates paying £209,000 expected contributions to the scheme in 2017/2018

The weighted average duration of the defined benefit obligation for scheme members is 17 years, 2016/17 (19 years 2015/2016).

18. Reserves

An analysis of the reserves is shown below:

	Opening Balance 1st April 2016 £000	Contributions To £000	Contributions From £000	Closing Balance 31st March 2017 £000
General fund	2,766	1,875	-2,902	1,739
Pensions reserve	-4,950	217	-2,078	-6,811
Joint Committee capital adjustment account	27	1	-15	13
Total reserves	**-2,157**	**2,093**	**-4,995**	**-5,059**

Comparative Analysis in 2015/16

	Opening Balance 1st April 2014 £000	Contributions To £000	Contributions From £000	Closing Balance 31st March 2015 £000
General fund	2,673	506	-413	2,766
Pensions reserve	-5,361	667	-256	-4,950
Joint Committee capital adjustment account	25	16	-14	27
Total reserves	**-2,663**	**1,189**	**-683**	**-2,157**

19. Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits as if in accordance with statutory provisions. The Joint Committee accounts for post employment benefits in the Comprehensive Income & Expenditure Statement as the benefits earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. Statutory arrangements, however, require benefits earned to be financed as the Joint Committee makes employer's contributions to pension funds or pays any pension for which it is directly responsible. The balance on the Pensions Reserve shows a substantial shortfall in the benefits earned by past and current employees and the resources available to meet them. The statutory arrangements will ensure that funding is available by the time the benefits come to be paid.

	2016/17 £000	2015/16 £000
Opening Balance at 1 April	**-4,950**	**-5,361**
Remeasurement (Liabilities & Assets)	-1,829	466
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement	-249	-256
Employer's pensions contributions & direct payments to pensioners payable in the year	217	201
Closing Balance at 31 March	**-6,811**	**-4,950**

20. Joint Committee Capital Adjustment Account

The Joint Committee Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets as if under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement. The Account is credited with the amounts set aside by the Joint Committee as finance for the costs of acquisition, construction and enhancement.

	31 March 2017 £000	31 March 2016 £000
Opening balance at 1 April	27	25
Fixed assets purchased from revenue resources	1	16
Depreciation of fixed assets	-15	-14
Closing Balance at 31 March	**13**	**27**

21. Note to the Cashflow Statement

21.1 Reconciliation of Income and Expenditure Account to Net Cashflow

2015-2016		2016-2017
£000		**£000**
2,079	**Net Operating Surplus on Comprehensive I&E Account**	1,037
	Adjust net surplus on the provision of services for non cash movements	
14	Depreciation	15
55	IAS 19 Movements on Pension Reserve	32
1,563	(Increase) / decrease in debtors	172
-2,290	Increase / (decrease) in creditors	-421
	Adjust for items included in the net surplus on the provision of services	
-30	Interest and investment income	-27
1,391	**Net cash inflow from operating activities**	**808**

21.2 Cash Flow Statement – Investing Activities

	31-Mar 2017	31-Mar 2016
Interest and investment income	-27	-30
Purchase of plant and equipment	1	16
TOTAL	**-26**	**-14**

21.3 Cash Flow Statement – Financing Activities

	31 March 2017 £000	31 March 2016 £000
Distribution to Member Authorities	2,110	2,039
TOTAL	**2,110**	**2,039**

21.4 Movement in Cash and Cash Equivalents

	Balance 31/03/16 £000	Balance 31/03/17 £000	Movement In Year £000
Cash in hand	4,950	3,674	(1,276)

22. Purchase of Non-current Assets

Non-current assets to the value of £1,000 relating to office equipment were financed from the General Fund Balance in 2016/17 (£16,000 2015/16).

As the purchase of assets is a charge to the General Fund Balance, the expenditure did not constitute a cash outflow from the Income and Expenditure Account.