



WEST MERCIA ENERGY JOINT COMMITTEE
STATEMENT OF ACCOUNTS FOR THE YEAR
ENDING 31ST MARCH 2014



WEST MERCIA ENERGY JOINT COMMITTEE

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WEST MERCIA ENERGY JOINT COMMITTEE

FOREWORD AND FINANCIAL SUMMARY **FOR THE YEAR 2013/14**

Introduction

This document is the Statement of Accounts for West Mercia Energy Joint Committee. It covers the financial year 1 April 2013 to 31 March 2014 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

In June 2013 the Joint Agreement was updated which involved the change of name of the Joint Committee as detailed below 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.

Up until 31st March 2013 the organisation traded as West Mercia Supplies Joint Committee and the comparative numbers in this Statement of Accounts relate to West Mercia Supplies Joint Committee. West Mercia Supplies Joint Committee was also established as a Joint Committee under s.101 of the Local Government Act 1972 with the same Member Authorities.

On 19th April 2012 the stationery division of West Mercia Supplies Joint Committee was sold and has been treated as a discontinued operation in accordance with accounting policy 1.4 and is detailed in note 7 to the accounts. 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.

Reference to the Joint Committee within these Statement of Accounts relates to the West Mercia Energy Joint Committee for the year 2013/14 and West Mercia Supplies Joint Committee for the year 2012/13.



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

The Foreword and Financial Summary

This section contains a brief review of the year and other general information about the accounts.

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, analysed into usable reserves (ie those that can be used to fund expenditure) and other reserves.

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 31 March 2014.

The Cash Flow Statement

This summarises the inflows and outflows of cash arising from the day to day transactions of the organisation.



A Financial Summary - The Year 2013/14

Total turnover during the year amounted to £64.372 million, an increase of £2.279 million over the previous year's total. The net profit realised from trading operations for the year was £1.728 million having reserved £0.042 million for profit related pay.

A General Fund balance of £2.222 million was brought forward from 2012/13. Of this, £1.452 million was distributed to Member Authorities during the financial year. After adjusting for all distributions, the year end General Fund balance at 31 March 2014 is £2.567 million.

The net liabilities of the Joint Committee stood at £1.397 million as at 31 March 2014 (£2.368 million at 31 March 2013). This position 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 decreased by £0.632 million (from £4.611 million to £3.979 million) during the financial year 2013/14.

The accounts have been restated for a prior year adjustment due to the changes to IAS19 Employee Benefits which are applicable for an accounting period commencing on or after 1 January 2013. The impact on the 2012/13 comparative numbers for the Joint Committee however is minor.

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 Great Britain ('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 31 March 2014.

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 2011 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 31 March 2014 and its income and expenditure for the year ended 31 March 2014.

Treasurer to the Joint Committee
(James Walton)

Joint Committee Approval

In accordance with the Accounts and Audit (England) Regulations 2011 I certify that the West Mercia Energy Joint Committee approved the Statement of Accounts for the year ended 31 March 2014.

Chairman of the
West Mercia Energy Joint Committee
(Cllr Adrian Hardman)

Date: 22nd September 2014



MOVEMENT IN RESERVES STATEMENT AS AT 31 MARCH 2014

This statement shows the movement in the year on the different reserves held by the Joint Committee, analysed into usable reserves (i.e. those that can be used to fund expenditure) and other reserves. 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.

	Usable Reserves			Total reserves
	General fund	Earmarked pensions reserve	Joint Committee capital adjustment account	
		Note 20	Note 21	
	£000	£000	£000	£000
Balance at 31 March 2013	2,222	-4,611	21	-2,368
Net gain for the year	276	-	-	276
Other comprehensive income & expenditure	695	-	-	695
Total comprehensive income & expenditure	971	-	-	971
Transfer to/from Earmarked Reserves	-626	632	-6	-
Increase/(decrease) in year	345	632	-6	971
Balance at 31 March 2014	2,567	-3,979	15	-1,397

Earmarked Pensions Reserve

The Earmarked 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.

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 2013
Restated

	Usable Reserves			Total reserves
	General fund	Earmarked pensions reserve	Joint Committee capital adjustment account	
	£000	Note 20 £000	Note 21 £000	£000
Balance at 31 March 2012	4,546	-4,447	2,899	2,998
Net loss for the year	-4,624	-	-	-4,624
Other comprehensive income & expenditure	-742	-	-	-742
Total comprehensive income & expenditure	-5,366	-	-	-5,366
Transfer to /from Earmarked Reserves	3,042	-164	-2,878	-
Increase/(decrease) in year	-2,324	-164	-2,878	-5,366
Balance at 31 March 2013	2,222	-4,611	21	-2,368



COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2014

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

	Notes	2013-2014	2012-2013
		£000	Restated* £000
<u>CONTINUING OPERATIONS</u>			
INCOME			
Turnover	5	-64,372	-62,093
Less cost of goods sold		62,515	60,025
Gross profit		-1,857	-2,068
Other trading operation income		-665	-726
Gross Profit		-2,522	-2,794
OPERATING EXPENSES			
Employees	9	598	572
Pension impact (IAS19)	18	-125	-763
Premises		23	17
Supplies & services		51	52
Central departmental & technical support	10,11	76	75
Provision for bad debts		-4	-11
Depreciation		11	9
Total Operating Expenses		630	-49
SURPLUS OF SERVICES		-1,892	-2,843
Financing and investment income and expenditure	8	164	183
		-1,728	-2,660
<u>DISCONTINUING OPERATIONS</u>			
Loss from discontinued services	7	-	814
NET OPERATING SURPLUS		-1,728	-1,846
Distribution to Member Authorities -surplus		1,452	-
Distribution to Member Authorities -sale of division		-	6,470
NET (GAIN)/ LOSS FOR THE YEAR		-276	4,624
OTHER COMPREHENSIVE INCOME & EXPENDITURE			
Remeasurements (Liabilities & Assets)	18	-695	742
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE		-971	5,366

2012/13 has been restated as a result of adopting the amendments to IAS 19 (2011 amendments) *



BALANCE SHEET AS AT 31 MARCH 2014

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 2013 £000		31 March 2014 £000	Notes
21	Property, plant & equipment	15	12
<u>21</u>	Long term assets	<u>15</u>	
11,322	Short term debtors	9,388	15
4,553	Cash and cash equivalents	4,977	16
<u>15,875</u>	Current assets	<u>14,365</u>	
-13,653	Short term creditors	-11,798	17
<u>-13,653</u>	Current liabilities	<u>-11,798</u>	
-4,611	Other long term liabilities	-3,979	18
<u>-4,611</u>	Long term liabilities	<u>-3,979</u>	
<u>-2,368</u>	Net assets	<u>-1,397</u>	
	Financed by:		
-2,368	Usable Reserves	-1,397	19
<u>-2,368</u>	Total reserves	<u>-1,397</u>	

These financial statements replace the unaudited financial statements certified by The Treasurer on 25th June 2014.



CASHFLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2014

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.

2012-2013	2013-2014	
£000	£000	£000 Notes
Operating activities		
<u>Cash outflows</u>		
578 Cash paid to and on behalf of employees	595	
149 Other operating costs	146	
58,957 Cost of goods sold	64,373	
59,684		65,114
<u>Cash inflows</u>		
-62,518 Turnover	-66,306	
-726 Other trading operation income	-665	
-63,244		-66,971
-3,560 Net cash inflow from operating activities		-1,857 22.1
11 Investing activities		-19 22.2
-5 Financing activities		1,452 22.3
944 Net cash outflow from discontinued service		- 22.1
-2,610 Net increase in cash and cash equivalents		-424 22.4
1,943 Cash and cash equivalents at 1st April		4,553
4,553 Cash and cash equivalents at 31st March		4,977 22.4

Cash flow transactions relating to the sale of the stationery division were administered by one of the Member Authorities acting on behalf of all the Member Authorities.



NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies

1.1 General Principles

This Statement of Accounts for 2013/14 summarises the Joint Committee's transactions for the 2013/14 financial year and its position at 31 March 2014. The accounts have been prepared in accordance with Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (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 is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011.

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.

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 Discontinued Operations

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and

- (a) represents a separate major line of business or geographical area of operations,
- (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or
- (c) is a subsidiary acquired exclusively with a view to resale.

A component of an entity comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity. In other words, a component of an entity will have been a cash-generating unit or a group of cash-generating units while being held for use.



An entity shall not classify as held for sale a non-current asset (or disposal group) that is to be abandoned. This is because its carrying amount will be recovered principally through continuing use.

1.5 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.

1.6 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 31 March are included as debtors. Sums still owed by the Joint Committee at 31 March are included as creditors.

1.7 Intangibles, Property, Plant and Equipment

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.

Property, plant and equipment 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.



An intangible asset is an identifiable non-monetary asset without physical substance. It must be controlled by the organisation as a result of past events, and future economic or service benefits must be expected to flow from the intangible asset to the organisation.

Recognition

The cost of an item of property, plant and equipment 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 intangibles, property, 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

Intangibles, property, 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). Intangibles, property, 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 property, 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.

Intangible assets are amortised over the economic life of the intangible asset to reflect the pattern of consumption of benefits.

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
Intangible Assets (Historical Cost)	10 years
Buildings (on Market Value)	40 years
Semi-Permanent Buildings (Historical Cost)	15 years
Plant and Machinery (Historical Cost)	3, 10 or 20 years, as appropriate
New Motor Vehicles (Historical Cost)	3 or 5 years, as appropriate
Second Hand Motor Vehicles (Historical Cost)	2 years
Fork Lift Trucks (Historical Cost)	5 or 7 years, as appropriate
Computer Equipment – (Historical Cost)	3 years
Racking (Historical Cost)	5 years

An exception is made for assets without a determinable finite useful life (ie freehold land) and assets that are not yet available for use (ie assets under construction).

Assets included in the Balance Sheet at current value are revalued at intervals of no more than five years or where there is evidence of material changes in the value. When an asset is revalued, any accumulated depreciation and impairment at the date of valuation shall be eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Where the carrying amount of property is increased as a result of a revaluation, the increase shall be recognised in the Revaluation Reserve, unless the increase is reversing a previous impairment loss charged to Surplus or Deficit on the Provision of Services on the same asset or reversing a previous revaluation decrease charged to Net Surplus or Deficit for the Year on the same asset.

Where the carrying amount of an item of property, 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 1 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.

1.8 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.

1.9 Inventories

Inventories are materials or supplies that will be sold or distributed as part of Joint Committee's ordinary business. All inventories are shown at the lower of cost and net realisable value.

1.10 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.

Lease Agreements that the Joint Committee handles between finance companies and third parties - As Joint Committee is not identified as the owner of the copiers they do not appear on the balance sheet as a long term asset. However, the lease rentals paid by Joint Committee have been recognised as a short/long term creditor and the end user payments to Joint Committee have been recognised as a short/long term debtor. Joint Committee provides a full bill validation service for its copier customers and as a result has reflected the copier billing transactions in both turnover and



cost of goods sold. Whilst it is accepted that it is not in line with the CIPFA code, it is considered to be the most appropriate means of accounting for the transactions and as such forms part of the segmental reporting.

1.11 Leases

Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

There were no material finance leases held by Joint Committee during the period covered by these accounts. All leases are therefore classified as operating leases.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense in the period that they are owed by Joint Committee.

1.12 Reserves

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 2014/15.

Earmarked Pensions Reserve

The Earmarked 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.

1.13 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 31 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 4.5% (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.

1.14 Carbon Reduction Commitment Allowances

The Joint Committee is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The Joint Committee is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions ie carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Joint Committee is recognised and reported in the costs of the Joint Committee premises costs.

1.15 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.

1.16 Foreign Currency

Foreign currency transactions are converted to sterling at the exchange rate applicable on the date of the transaction.

1.17 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.



1.18 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.

1.19 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.

1.20 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

For 2013/14 the following accounting policy changes that need to be reported relate to:

- IFRS 10 *Consolidated Financial Statements*
- IFRS 11 *Joint Arrangements*
- IFRS 12 *Disclosure of Interests in Other Entities*
- IAS 27 *Separate Financial Statements* (as amended in 2011)
- IAS 28 *Investments in Associates and Joint Ventures* (as amended in 2011)
- IAS 32 *Financial Instruments: Presentation*
- IAS 1 *Presentation of Financial Statements*

These changes are predominantly affecting presentation or disclosure of items within the Notes to the Accounts, and so will not have a material effect on the Joint Committee.

3. Critical judgements in applying accounting policies

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.

The critical judgements made in the Statement of Accounts are:

The Joint Committee makes judgements in how Copier Leases that the Joint Committee handles between finance companies and third party parties are classified in the accounts. The Joint Committee provides a full bill validation service for its copier customers therefore transactions are recorded in the accounts of the Joint Committee, the Copier Leases relate to the discontinued services so are only relevant for the 2012/13 comparatives,.



4. 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 2014 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 £232,000. However the assumptions interact in complex ways. During 2013/14 the actuaries advised that the net pensions liability had decreased by £632,000.

5. Turnover

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



6. Segment Information

The analysis of income and expenditure on the face of the Comprehensive Income and Expenditure Statement is in accordance with the IAS1 and not that specified by the Service Reporting Code of Practice as this aids the readers understanding. Further analysis of the components within the Comprehensive Income and Expenditure Statement is as follows;

	Trading (Discontinued)		Photocopiers (Discontinued)		Energy (Continued)		Total	
	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000
Turnover	-	-249	-	-6	-64,372	-62,093	-64,372	-62,348
Cost of goods sold	-	146	-	6	62,515	60,025	62,515	60,177
Gross Profit	-	-103	-	-	-1,857	-2,068	-1,857	-2,171
Other trading operating income							-665	-726
Employee costs							598	725
Pensions impact							63	-578
Depreciation							11	26
Impairment							0	10
Other expenses							70	126
Central expenses							76	75
Interest revenue							-24	-19
Interest expense							0	17
Net operating surplus							-1,728	-2,515
Distribution of surplus to Member Authorities							1,452	-
Net gain for the year							-276	-2,515



7. Discontinued services

In September 2011 the owners of the Joint Committee appointed a sales agent to pursue the sale of the organisation. A buyer was found for the stationery division of the Joint Committee with the sale completing on 19th April 2012. The West Mercia Supplies name and most of the staff transferred as part of the sales agreement.

As part of the sales agreement the non-current assets of the Joint Committee transferred. These consisting of the Land & Buildings (which comprised the Joint Committee's warehouse/office buildings) and the plant and equipment, including vehicles.

The four Member Authorities have agreed the income from the sale, both capital (from sale of non-current assets) and revenue, will be transferred to them on an equal four way split.

The carrying amounts of the assets and liabilities in the disposal group are;

STATIONERY DIVISION FOR DISPOSAL

19 April 2012 £000	31 March 2013 £000		31 March 2014 £000
2	-	Intangible assets	-
2,867	-	Property, plant & equipment	-
1,398	-	Long term debtors	-
4,267	-	Long term assets	-
3,526	-	Inventories	-
1,387	-	Short term debtors	-
-	-	Cash and cash equivalents	-
4,913	-	Current assets	-
-1,242	-	Short term creditors	-
-1,242	-	Current liabilities	-
-1,398	-	Long term creditors	-
-1,398	-	Long term liabilities	-
6,540	-	Net assets	-



The activities for the disposal group are;

**STATEMENT OF ACTIVITIES
FOR STATIONERY DIVISION
FOR THE YEAR ENDED 31 MARCH 2014**

	2013-2014	2012-2013
	£000	£000
INCOME		
Turnover	-	-255
Less cost of goods sold	-	152
Gross Loss	-	-103
Other trading operation income	-	-
Gross Loss	-	-103
OPERATING EXPENSES		
Employees	-	153
Premises	-	20
Supplies & Services	-	29
Transport related expenses	-	21
Provision for bad debts	-	-1
Impairment	-	10
Depreciation	-	16
Total Operating Expenses	-	248
DEFICIT OF SERVICES	-	145
Loss on disposal of division	-	669 *
NET OPERATING LOSS	-	814
<u>* Loss on disposal of division</u>		
Proceeds	-	-6,740
Assets disposed	-	6,540
Expenses related to sale	-	869
	-	669

The proceeds and assets disposed of includes £2.869m relating to non-current assets.



The cash flow for the disposal group is;

**NET CASHFLOWS FOR STATIONERY DIVISION
FOR THE YEAR ENDED 31 MARCH 2014**

2012-2013	2013-2014		Notes
£000	£000	£000	
Operating activities			
<u>Cash outflows</u>			
153 Cash paid to and on behalf of employees	-		
69 Other operating costs	-		
1,660 Cost of goods sold	-		
1,882			
<u>Cash inflows</u>			
-938 Turnover	-		
- Investing Activities			-
- Financing			-
944			22.1
Net cash outflow from discontinued service		-	

Within the sale agreement staff were transferred with the assets and liabilities of the disposal group, the IAS 19 assets and liabilities remained with Joint Committee.



8. 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.

Interest to Authorities on Surplus

In accordance with the Joint Agreement the Joint Committee pays interest to Member Authorities on the retained surplus held or invested at 1 April 1998 together with interest on the General Fund held in hand at the beginning of the relevant financial year. No interest is payable under the West Mercia Energy Joint Agreement and therefore there is no charge from 1st April 2013.

	2013/14	2012/13
	£000	Restated £000
Interest payable and similar charges	-	17
Pensions interest cost and expected return on pensions	188	185
Interest receivable and similar income	-24	-19
Total	164	183

9. Staff Remuneration

In 2013/14 the number of employees who received remuneration in excess of £50,000 fell into the following bands:

Band	Number of Employees	
	2013/14	2012/13
£ 65,000 to £ 69,999	1	1
£185,000 to £189,999	-	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 and between £70,000 and £184,999, so the staff remuneration table above has been adjusted accordingly.



Disclosure of Remuneration for Senior Employees

2013/14

Post Title	Salary (inc fees & allowances) £	Bonuses (PRP) £	Pension Contributions £	Total Remuneration (inc pension contribution) £
Director	60,493	7,487	8,089	76,069
	60,493	7,487	8,089	76,069

2012/13

Post Title	Salary (inc fees & allowances) £	Bonuses (PRP) £	Pension Contributions £	Total Remuneration (inc pension contribution) £
M Phillips - Managing Director (left April 2012)	177,776*	9,445	1,796	189,017
Director	60,089	4,170	7,623	71,882
	237,865	13,615	9,419	260,899

* Includes an exit package payment of £169,847 during 2012/13.

	No. of compulsory redundancies		Total no of exit packages by cost band		Total cost of exit packages in each band	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
£0 - £150,000	-	-	-	-	-	-
£150,001 - £200,000	-	1	-	1	-	£169,847

There are no staff members receiving exit packages up to £150,000, so the table above has been adjusted accordingly.

10. Audit Costs

During 2013/14 the Joint Committee incurred the following fees in respect of external audit and statutory inspection.

	2013/14 £000	2012/13 £000
Fees payable to External Auditors with regard to external audit services	16	22



11. 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:

	2013/14 £000	2012/13 £000
Herefordshire Council	2,105	2,316
Shropshire Council	4,751	6,049
Telford & Wrekin Council	4,019	4,124
Worcestershire County Council	6,548	7,069

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

	2013/14 £000	2012/13 £000
Human Resources Support Services	7	8
Payroll Services	2	2
Treasury Services	4	4
Committee Services	8	10
Financial Advice	12	14
Internal Audit	14	10
Legal Services	5	-4
Procurement	6	6



12. Intangibles, Property, Plant & Equipment

Movements in 2013/14

	Intangibles £000	Land & Buildings £000	Plant & Equipment £000	Total Property, Plant & Equipment £000
Cost / Valuation				
As at 1 April 2013	-	-	32	32
Additions	-	-	5	5
As at 31 March 2014	-	-	37	37
Accumulated Depreciation				
As at 1 April 2013	-	-	11	11
Charge	-	-	11	11
As at 31 March 2014	-	-	22	22
Net Book Value				
As at 31 March 2014	-	-	15	15
As at 31 March 2013	-	-	21	21



Movements in 2012/13

	Intangibles £000	Land & Buildings £000	Plant & Equipment £000	Total Property, Plant & Equipment £000
Cost / Valuation				
As at 1 April 2012	2	2,801	1,841	4,644
Additions			30	30
Disposals	-2	-2,801	-1,839	-4,642
As at 31 March 2013	-	-	32	32
Accumulated Depreciation				
As at 1 April 2012	-	851	896	1,747
Charge – discontinued	-	-	26	26
Charge – continuing	-	-	9	9
Disposal	-	-851	-920	-1,771
As at 31 March 2013	-	-	11	11
Net Book Value				
As at 31 March 2013	-	-	21	21
As at 31 March 2012	2	1,950	945	2,897

All property, plant and equipment except buildings are valued at cost depreciated over their anticipated useful life, commencing in the year of acquisition. Land & Buildings (which comprised of the warehouse and office buildings of the stationery division) were independently valued at a market value of £1.95 million on 12 March 2012 by Alessio Dyfnallt, MRICS Pooks Shrewsbury. The Land & Buildings are shown at this valuation at 31 March 2012. The annual depreciation charge for the warehouse/ office buildings has been calculated based on an estimated remaining useful life of 40 years at the date of revaluation. The majority of non-current assets were sold as part of the sale.



13. Contractual Commitments for Property, Plant and Equipment

At the Balance Sheet date, there were no capital commitments.

14. 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	31 March	31 March	31 March
	2014	2013	2014	2013
	£000	£000	£000	£000
Debtors:				
Financial assets carried at contract amounts	-	-	9,388	11,322
Total included in Debtors	-	-	9,388	11,322
Creditors:				
Financial liabilities carried at contract amount	-	-	11,675	13,524
Total included in Creditors	-	-	11,675	13,524



Income, Expense, Gains and Losses

	2013/14					2012/13				
	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	-	-	-	-	-	-17	-	-	-	-17
Total expense in Surplus or Deficit on the Provision of Services	-	-	-	-	-	-17	-	-	-	-17
Interest income	-	24	-	-	24	-	19	-	-	19
Total income in Surplus or Deficit on the Provision of Services	-	24	-	-	24	-	19	-	-	19
Gains/losses on revaluation	-	-	-	-	-	-	-	-	-	-
Net gain for the year	-	24	-	-	24	-17	19	-	-	2

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.



15. Short Term Debtors

	31 March 2014 £000	31 March 2013 £000
Member Authorities	2,126	3,630
Other Local Authorities	6,917	7,147
Bodies external to general government	345	545
	9,388	11,322

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

	31 March 2014 £000	31 March 2013 £000
Herefordshire Council	276	419
Shropshire Council	578	873
Telford & Wrekin Council	566	1,022
Worcestershire County Council	706	1,316
	2,126	3,630



16. Cash and Cash Equivalents

	Opening Balance 1 st April 2013 £000	Movement During the Year £000	Closing Balance 31 st March 2014 £000
Bank current accounts	4,553	424	4,977

17. Short Term Creditors

	31 March 2014 £000	31 March 2013 £000
Member Authorities	193	416
Other Local Authorities	2,233	1,846
Bodies external to general government	9,372	11,391
	11,798	13,653

18. 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 2013/14.

	2013/14 £000	2012/13 £000
Comprehensive Income & Expenditure Account		
Operating Expense (Employees):		
• Current Service Cost	63	45
• Administration Expenses	2	1
• Past Service Cost	-	-
• Effect of Curtailment/Settlements	-	-505
• Employers Contributions	-190	-304
Pension Impact (IAS19)	-125	-763
Financing and Investment Income and Expenditure:		
• Net Interest Cost	188	185
Total Post-employment benefits contained within Net Operating Surplus	63	-578
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)	-598	-593
Actuarial (gains) and losses arising on changes in demographic assumptions	270	123
Actuarial (gains) and losses arising on changes in Financial assumptions	-705	1,212
	338	-
Experience (gain) / loss		
Total Post-employment Benefits contained within the Other Comprehensive Income and Expenditure	-695	742
Net charge to Comprehensive Income & Expenditure Account	-632	164
	2013/14 £000	2012/13 £000
Movement in Reserves Statement:		
Reversal of net charges made for retirement benefits in accordance with IAS19		
	-253	274
Actual Amount Charged against the General Fund Balance for Pensions in the Year:		
• Employers contributions payable to the Scheme	190	304
Remeasurement of the net defined liabilities	695	-742
Movement on Pension's Reserve	632	-164



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;

	2013/14 £000	2012/13 £000
Present Value of the defined benefit obligation	12,292	12,060
Fair Value of plan assets	-8,313	-7,449
Net liability arising from defined benefit obligation	3,979	4,611

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

	2013/14 £000	2012/13 £000
Opening fair value of scheme assets	-7,449	-6,734
Interest income	-312	-323
Remeasurement (gain) and loss		
The return on Plan assets	-598	-593
Employer contributions	-190	-304
Contributions by scheme participants	-20	-16
Benefits paid	254	520
Administration Expenses	2	1
At 31 March	-8,313	-7,449



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

	Funded	Liabilities
	2013/14	2012/13
	£000	£000
At 1 April	12,060	11,181
Current Service Cost	63	45
Interest cost	500	508
Contributions by scheme participants	20	16
Remeasurement (gains) and losses		
• Actuarial gains/losses arising from changes in demographic assumptions	270	123
• Actuarial gains/losses arising from changes in financial assumptions	-705	1,212
• Experience gains/losses	338	-
Losses/(gains) on Curtailments/Settlement	-	-505
Benefits paid	-254	-520
At 31 March	12,292	12,060



Pension Scheme Assets

Fair value of Scheme Assets

	2013/14	2012/13
	£000	£000
Cash & Cash Equivalents		
• Cash Instrument	-1	9
• Cash Accounts	<u>204</u>	<u>290</u>
Cash Total	203	299
Equity Instruments		
• UK Quoted	682	983
• Global quoted	<u>3,859</u>	<u>3,290</u>
Equity Instruments Total	4,541	4,273
Bonds		
• UK Government fixed	7	22
• UK Government indexed	826	707
• Overseas Government Fixed	<u>1,161</u>	<u>998</u>
Bonds Total	1,994	1,727
Property		
• Property Funds	<u>330</u>	<u>215</u>
Property Total	330	215
Private Equity	<u>350</u>	<u>332</u>
Private Equity Total	350	332
Other Investment Funds		
• Infrastructure	66	41
• Hedge Funds	<u>829</u>	<u>562</u>
Other Total	895	603
Total assets	8,313	7,449

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:

	2013/14	2012/13
Long term expected rate of return on assets:		
Equity Investments	7.0%	7.0%
Government Bonds	3.4%	2.8%
Other Bonds	4.3%	3.9%
Property	6.2%	5.7%
Cash/Liquidity	0.5%	0.5%
Mortality assumptions:		
Longevity at 65 for current pensioners (years):		
Men	23.8	22.4
Women	26.1	25.1
Longevity at 65 for future pensioners (years):		
Men	26.0	24.2
Women	29.0	27.1
Rate of CPI Inflation	2.4%	2.4%
Rate of Increase in Salaries	3.9%**	3.9%
Rate of Increase in Pensions	2.4%	2.4%
Rate for Discounting Scheme Liabilities	4.5%	4.2%

**An adjustment has been made for short term pay restraint in line with the most recent actuarial valuation

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 £000	Decrease in assumption £000
Longevity (increase or decrease in 1 year)	12,524	12,060
Rate of inflation (increase or decrease by 0.1%)	12,522	12,062
Rate of increase in salaries (increase or decrease by 0.1%)	12,299	12,285
Rate of increase in pensions (increase or decrease by 0.1%)	12,522	12,062
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	12,066	12,518

*The current Defined Benefit Obligation as at 31st March 2014 is £12.292 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 2016.

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 to pay £188,000 expected contributions to the scheme in 2014/2015.

The weighted average duration of the defined benefit obligation for scheme members is 19 years, 2013/14 (16 years 2012/2013).



19. Usable Reserves

An analysis of the usable reserves is shown below:

	Opening Balance 1 st April 2013 £000	Contributions		Closing Balance 31 st March 2014 £000
		To £000	From £000	
General Fund	2,222	971	-626	2,567
Earmarked Pensions reserve	-4,611	885	-253	-3,979
Joint Committee capital adjustment account	21	5	-11	15
Total usable reserves	-2,368	1,861	-890	-1,397

Comparative Analysis in 2012/13-Restated

	Opening Balance 1 st April 2013 £000	Contributions		Closing Balance 31 st March 2014 £000
		To £000	From £000	
General Fund	4,546	3,042	-5,366	2,222
Earmarked Pensions reserve	-4,447	578	-742	-4,611
Joint Committee capital adjustment account	2,899	30	-2,908	21
Total usable reserves	2,998	3,650	-9,016	-2,368

20. Earmarked Pensions Reserve

The Earmarked 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 Earmarked 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.



	2013/14 £000	2012/13 £000
Opening Balance at 1 April	-4,611	-4,447
Remeasurement (Liabilities & Assets)	695	-742
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	-253	274
Employer's pensions contributions & direct payments to pensioners payable in the year	190	304
Closing Balance at 31 March	<u>-3,979</u>	<u>-4,611</u>

21. 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 2014 £000	31 March 2013 £000
Opening balance at 1 April	21	2,899
Fixed assets purchased from revenue resources	5	30
Depreciation of fixed assets	-11	-25
Impairment	-	-10
Other	-	-4
Sale of non-current assets	-	-2,869
Closing Balance at 31 March	<u>15</u>	<u>21</u>



22. Note to the Cashflow Statement

22.1 Reconciliation of Income and Expenditure Account to Net Cashflow

2012-2013			2013-2014	
Discontinued	Continued		Discontinued	Continued
£000	restated £000		£000	£000
-814	2,661	Net Operating Surplus/(Loss) on Comprehensive I&E Account	-	1,728
		Adjust net surplus or deficit on the provision of services for non cash movements		
16	9	Depreciation	-	11
10		Impairment		
669		Expenses relating to sale		
		IAS 19 Movements on Earmarked Pension Reserve		
	-578		-	63
-684	-	Increase in inventories		-
1,367	425	(Increase) / decrease in debtors	-	1,934
-1,508	1,062	Increase / (decrease) in creditors	-	-1,855
		Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities		
	-19	Interest and investment income	-	-24
		Net cash inflow/(outflow) from operating activities		
-944	3,560		-	1,857



22.2 Cash Flow Statement – Investing Activities

	31 March 2014 £000	31 March 2013 £000
Interest and investment income	-24	-19
Purchase of property, plant and equipment	<u>5</u>	<u>30</u>
TOTAL	<u>-19</u>	<u>11</u>

22.3 Cash Flow Statement – Financing Activities

	31 March 2014 £000	31 March 2013 £000
Net Cash from Sale of Stationery Division	-	-5
Distribution to Member Authorities	<u>1,452</u>	<u>-</u>
TOTAL	<u>1,452</u>	<u>-5</u>

22.4 Movement in Cash and Cash Equivalents

	Balance 31/03/13 £000	Balance 31/03/14 £000	Movement In Year £000
Cash in hand	4,553	4,977	424

23. Purchase of Non-current Assets

Non-current assets to the value of £5,000 were financed from the General Fund Balance in 2013/14 (£30,000 2012/13).

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.