WEST MERCIA SUPPLIES JOINT COMMITTEE

STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2013

Treasurer
Shirehall
SHREWSBURY

The Purchasing Consortium of the Councils of Herefordshire, Worcestershire, Shropshire and Telford & Wrekin

WEST MERCIA SUPPLIES JOINT COMMITTEE

CONTENTS

WEST MERCIA SUPPLIES JOINT COMMITTEE

FOREWORD AND FINANCIAL SUMMARY FOR THE YEAR 2012/13

Introduction

This document is the Statement of Accounts for West Mercia Supplies Joint Committee (WMS-JC). It covers the financial year 1 April 2012 to 31 March 2013 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.

WMS-JC is a purchasing consortium established as a Joint Committee under s.101 of the Local Government Act 1972. Originally the central stores for Shropshire County Council, WMS-JC was created in 1987 when Hereford and Worcester County Council joined forces with Shropshire and created a central office and warehousing operation. In 1998 the two councils reorganised into four and joint ownership of WMS-JC transferred to them. The four Member Authorities are:

- 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 WMS-JC and is responsible for the discharge of the functions of the Member Authorities. Within the Joint Committee, each Member Authority has voting rights - two votes each for Herefordshire and Telford & Wrekin, and three votes each for Shropshire and Worcestershire.

Although predominantly established to trade with the Member Authorities, WMS-JC also trades with other organisations outside the membership area.

On 19th April 2012 the stationery division of WMS-JC 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 WMS 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 energy division trades under the name of "West Mercia Energy". An updated Joint Agreement was signed on 20th June 2013 for West Mercia Energy Joint Committee which is in place from, 1st April 2013.

Professional Advice

Certain professional services are provided for WMS-JC 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 WMS-JC 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 WMS-JC, 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 WMS-JC as at the year end 31 March 2013.

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 2012/13

Total turnover from continuing operations during 2012/13 was £62.093 million, an increase of £11.980 million over the previous year's total. The net profit realised from trading operations for the year was £2.667 million having reserved £0.045 million for profit related pay.

A General Fund balance of £4.546 million was brought forward from 2011/12. After reflecting the sale of the stationery division the year end General Fund balance at 31 March 2013 is £2.222 million.

The net liabilities of WMS-JC stood at £2.368 million as at 31 March 2013 (net assets of £2.998 million at 31 March 2012). This change in level reflects the sale of the stationery division and the retention of the pension liability. The pension liability includes both those employees who were retained and those employees who transferred to the new owners of the stationery division.

Capital expenditure during the year 2012/13 totalled £0.030 million and was funded entirely from revenue resources.

WMS-JC’s retirement benefits liability increased by £0.164 million (from £4.447 million to £4.611 million) during the financial year 2012/13.

Further Information

For further information about WMS-JC's Statement of Accounts, please contact:

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STATEMENT OF RESPONSIBILITIES AND JOINT COMMITTEE APPROVAL

Responsibilities of West Mercia Supplies Joint Committee

West Mercia Supplies 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 Supplies 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 2013.

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 WMS-JC’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 Regulations 2011 I certify that the Committee's Statement of Accounts provides a true and fair view of the financial position of the Joint Committee at 31 March 2013 and its income and expenditure for the year ended 31 March 2013.

Treasurer to the Joint Committee ……………….........……………………………………
(James Walton)

Joint Committee Approval

In accordance with the Accounts and Audit Regulations 2011 I certify that the West Mercia Supplies Joint Committee approved the Statement of Accounts for the year ended 31 March 2013.

Chairman of the
West Mercia Supplies Joint Committee ....
(Cllr Phillip Price)

Date: 2013

MOVEMENT IN RESERVES STATEMENT
AS AT 31 MARCH 2013

This statement shows the movement in the year on the different reserves held by WMS-JC, analysed into usable reserves (i.e. those that can be used to fund expenditure) and other reserves. The Surplus (or Deficit) for the year shows the true economic cost of WMS-JC's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

	Usable reserves			
	General fund	Earmarked pensions reserve	Joint Committee capital adjustment account	**Total reserves**
	Note 23	Note 23	Note 23	
	£000	£000	£000	**£000**
Balance at 31 March 2012	**4,546**	**-4,447**	**2,899**	**2,998**
Net loss for the year	-4,617	-	-	**-4,617**
Other comprehensive income & expenditure	-749	-	-	**-749**
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**

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 statutory provisions. Following the sale of the stationery division, the Joint Committee Capital Adjustment Account transferred to the General Fund.

MOVEMENT IN RESERVES STATEMENT (CONTINUED)

AS AT 31 MARCH 2012

	Usable reserves				Unusable reserves		Total reserves
	General fund	Earmarked pensions reserve	Joint Committee capital adjustment account	**Total**	Revaluation reserve	**Total**	
	Note 23	Note 23	Note 23		Note 26		
	£000	£000	£000	**£000**	£000	**£000**	**£000**
Balance at 31 March 2011	**3,923**	**-3,704**	**3,467**	**3,686**	**75**	**75**	**3,761**
Net loss for the year	-63	-	-	**-63**	-	**-**	**-63**
Other comprehensive income & expenditure	-625	-	-	**-625**	-	**-**	**-625**
Total comprehensive income & expenditure	-688	-	-	**-688**	-	**-**	**-688**
Transfer to/from Earmarked Reserves	1,311	-743	-568	**0**	-75	**-75**	**-75**
Increase/(decrease) in year	623	-743	-568	-688	-75	-75	-763
Balance at 31 March 2012	**4,546**	**-4,447**	**2,899**	**2,998**	**-**	**-**	**2,998**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED 31 MARCH 2013

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

	Notes	2012-2013	2011-2012
		£000	£000
CONTINUING OPERATIONS			
INCOME			
Turnover	**5**	-62,093	-50,113
Less cost of goods sold		60,025	48,009
Gross profit on issues		-2,068	-2,104
Other trading operation income		-726	-537
Gross Profit		**-2,794**	**-2,641**
OPERATING EXPENSES			
Employees	**9**	572	497
Pension impact (IAS19)	**22**	-765	-69
Premises		17	40
Supplies & services		52	47
Central departmental & technical support	**10,11**	75	76
Provision for bad debts		-11	2
Impairment		-	87
Depreciation		9	30
Total Operating Expenses		**-51**	**710**
NET COST OF SERVICES		**-2,845**	**-1,931**
Financing and investment income and expenditure	**8**	178	223
		-2,667	-1,708
DISCONTINUING OPERATIONS			
Loss/(surplus) from discontinued services	**7**	814	-1,047
NET OPERATING SURPLUS		**-1,853**	**-2,755**
Distribution to Member Authorities -surplus		-	2,818
Distribution to Member Authorities -sale of division		6,470	-
NET LOSS FOR THE YEAR		**4,617**	**63**
OTHER COMPREHENSIVE INCOME & EXPENDITURE			
Actuarial losses (gains) on pension fund assets and liabilities	**22**	749	625
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE		**5,366**	**688**

BALANCE SHEET
AS AT 31 MARCH 2013

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

31 March 2012 £000		31 March 2013 £000	Notes
	CONTINUING OPERATIONS		
1	Property, plant & equipment	21	**12**
1	**Long term assets**	**21**	
11,747	Short term debtors	11,322	**18**
1,943	Cash and cash equivalents	4,553	**19**
13,690	**Current assets**	**15,875**	
-12,591	Short term creditors	-13,653	**20**
-12,591	**Current liabilities**	**-13,653**	
-4,447	Other long term liabilities	-4,611	**22**
-4,447	**Long term liabilities**	**-4,611**	
-3,347	Net assets from continuing operations	-2,368	
6,345	Net assets from discontinued operations	-	**7**
2,998	**Net assets**	**-2,368**	
	Financed by:		
2,998	Usable reserves	-2,368	**23**
2,998	**Total reserves**	**-2,368**	

The figures for 31 March 2012 relate to the continuing activities with those relating to the discontinuing contained in note 7.
These two sets of figures combined are in line with those presented in the prior year financial statements.

These financial statements replace the unaudited financial statements certified by the Treasurer on the 13th June 2013.

CASHFLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2013

The Cash Flow Statement shows the changes in cash and cash equivalents of the organisation during the reporting period. The statement shows how the organisation 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 organisation'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 organisation.

2011-2012		**2012-2013**		
£000		**£000**	**£000**	**Notes**
	CONTINUING OPERATIONS			
	Operating activities			
	Cash outflows			
370	Cash paid to and on behalf of employees	578		
200	Other operating costs	150		
44,816	Cost of goods sold	59,181		
45,386			59,909	
	Cash inflows			
-49,127	Turnover	-62,739		
-537	Other trading operation income	-726		
-49,664			-63,465	
-4,278	**Net cash inflow from operating activities**		-3,556	
-8	**Investing activities**		11	**27.2**
2,818	**Financing activities**		-	**27.3**
-1,468	**Cash flow from continuing operations**		-3,545	**27.1**
-72	**Net cash inflow from discontinued service**		935	**27.1**
-1,540	**Net decrease/(increase) in cash and cash equivalents**		**-2,610**	**27.4**
403	Cash and cash equivalents at 1st April		1,943	
1,943	Cash and cash equivalents at 31st March		**4,553**	**27.4**

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 2012/13 summarises the WMS-JC's transactions for the 2012/13 financial year and its position at 31 March 2013. The accounts have been prepared in accordance with Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code Board, as far as it is practicable and applicable to WMS-JC, supported by International Financial Reporting Standards (IFRS). The nature of the WMS-JC organisation 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. WMS-JC is required to prepare an annual Statement of Accounts by the Accounts and Audit 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 WMS-JC'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 change provide a 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 WMS-JC as at 31 March are included as debtors. Sums still owed by WMS-JC 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 WMS-JC 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 are 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 WMS-JC 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. WMS-JC hold no cash equivalents.

1.9 Inventories

Inventories are materials or supplies that will be sold or distributed as part of WMS-JC'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 WMS-JC are maintained on an accruals basis in accordance with the Code. That is, sums due to or from the WMS-JC during the year are included whether or not the cash has actually been received or paid in the year.
Lease Agreements that WMS-JC handles between finance companies and third parties - As WMS-JC 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 WMS-JC have been recognised as a short/long term creditor and the end user payments to WMS-JC have been recognised as a short/long term debtor. WMS-JC 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 WMS-JC 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 WMS-JC.

1.12 <u>Reserves</u>

General Fund Balance
The Balance Sheet includes a sum for the General Fund Balance. This shows the total unused accumulated net surplus for WMS-JC carried forward to 2013/14.

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 <u>Employee Benefits</u>

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, WMS-JC offers retirement benefits. These benefits will not be payable until retirement but WMS-JC has a commitment to make payments that need to be disclosed at the time that the employees earn their future entitlement.

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

1.14 <u>Carbon Reduction Commitment Allowances</u>

WMS-JC 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. WMS-JC 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 WMS-JC is recognised and reported in the costs of WMS-JC's premises costs.

1.15 Interest

Interest receivable from investments is recognised in the financial statements during the period in which it became due to WMS-JC.

Interest payable to Member Authorities is recognised in the financial statements during the period in which it became due by WMS-JC.

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 WMS-JC 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 WMS-JC 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 2012/13 the following accounting policy changes that need to be reported relate to:

- IAS 19 Employee Benefits (June 2011 Amendments)
- IAS 1 Presentation of Financial Statements–Other Comprehensive Income (June 2011 Amendments)
- IFRS 7 Financial Instruments Disclosures–Offsetting Financial Assets and Liabilities (December 2011 Amendments)
- IAS 12 Deferred Tax: Recovery of Underlying Assets (December 2010 Amendments)
- IFRS 13 Fair Value Measurement (May 2011)

These changes are predominantly affecting disclosure of items within the Notes to the Accounts, and so will not have a material effect on WMS-JC.

3. Critical judgements in applying accounting policies

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

The critical judgements made in the Statement of Accounts are:

> WMS-JC makes judgements in how Copier Leases that WMS-JC handles between finance companies and third party parties are classified in the accounts. WMS-JC provides a full bill validation service for its copier customers therefore transactions are recorded in the accounts of WMS-JC.

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 WMS-JC. 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 WMS-JC's Balance Sheet at 31 March 2013 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 £228,000. However the assumptions interact in complex ways. During 2012/13 the actuaries advised that the net pensions liability had increased by £164,000.

5. Turnover

Turnover is the VAT exclusive total of invoiced sales for goods supplied from warehouse stock, by direct supply arrangements and by utility sales.

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	
	2012/13 £000	**2011/12 £000**	**2012/13 £000**	**2011/12 £000**	**2012/13 £000**	**2011/12 £000**	**2012/13 £000**	**2011/12 £000**
Turnover	-249	-14,053	-6	-2,766	-62,093	-50,113	-62,348	-66,932
Cost of goods sold	146	8,897	6	2,634	60,025	48,009	60,177	59,540
Gross Profit	**-103**	**-5,156**	**-**	**-132**	**-2,068**	**-2,104**	**-2,171**	**-7,392**
Other trading operating income							-726	-584
Employee costs							725	3,033
Pensions impact							-585	118
Depreciation							26	334
Impairment							10	528
Other expenses							126	1,004
Central expenses							75	138
Interest revenue							-19	-15
Interest expense							17	81
Net operating surplus							**-2,522**	**-2,755**
Distribution of surplus to Member Authorities							-	2,818
Net (gain)/ loss for the year							**-2,522**	**63**

7. Discontinued services

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

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

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

31 March 2012 £000	Notes		19 April 2012 £000	31 March 2013 £000
2	12	Intangible assets	2	-
2,894	12	Property, plant & equipment	2,867	-
1,398	15	Long term debtors	1,398	-
4,294		**Long term assets**	**4,267**	**-**
2,842	17	Inventories	3,526	-
2,753	18	Short term debtors	582	-
-		Cash and cash equivalents	-	-
5,595		**Current assets**	**4,108**	**-**
-2,146	20	Short term creditors	-437	-
-2,146		**Current liabilities**	**-437**	**-**
-1,398	21	Long term creditors	-1,398	-
-1,398		**Long term liabilities**	**-1,398**	**-**
6,345		**Net assets**	**6,540**	**-**

The activities for the disposal group are;

STATEMENT OF ACTIVITIES
FOR STATIONERY DIVISION
FOR THE YEAR ENDED 31 MARCH 2013

	Notes	2012-2013	2011-2012
		£000	£000
INCOME			
Turnover	5	-255	-16,818
Less cost of goods sold		152	11,531
Gross grofit on issues		-103	-5,287
Other trading operation income		-	-46
Gross Profit		**-103**	**-5,333**
OPERATING EXPENSES			
Employees	9	153	2,536
Premises		20	206
Supplies & Services		29	374
Transport related expenses		21	309
Central departmental & technical support		-	90
Provision for bad debts		-1	1
Impairment		10	442
Depreciation		16	304
Total Operating Expenses		**248**	**4,262**
NET COST OF SERVICES		**145**	**-1,071**
Gain on disposal of non-current sssets		-	-6
Loss on disposal of division		669 *	
Financing and investment income and expenditure	8	-	30
NET OPERATING LOSS/(SURPLUS)		**814**	**-1,047**

<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 are;

NET CASHFLOWS FOR STATIONERY DIVISION
FOR THE YEAR ENDED 31 MARCH 2013

2011-2012		2012-2013	
£000		**£000**	**£000**
	Operating activities		
	Cash outflows		
2,680	Cash paid to and on behalf of employees	-24	
1,029	Other operating costs	47	
10,453	Cost of goods sold	6,815	
14,162			6,838
	Cash inflows		
-14,468	Turnover	-5,903	
-47	Other trading operation income	-	
-14,515			-5,903
281	Investing Activities		-
	Financing		
	Proceeds form sale of sssets		6,270
	Distribution of sale proceeds		-6,270
-72	**Net cash inflow from discontinued service**		935

Within the sale agreement staff were transferred with the assets and liabilities of the disposal group, the IAS 19 assets and liabilities remained with WMS-JC.

8. Financing and Investment Income and Expenditure

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

Interest to Authorities on Surplus
In accordance with the Joint Agreement WMS-JC 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.

	2012/13 Continuing £000	2011/12 Continuing £000	2011/12 Dis-continued £000
Interest payable and similar charges	17	44	37
Pensions interest cost and expected return on pensions	180	187	-
Interest receivable and similar income	-19	-8	-7
Total	**178**	**223**	**30**

9. Staff Remuneration

In 2012/13 the number of employees who received remuneration in excess of £50,000 fell into the following bands:

Band	Number of Employees 2012/13	2011/12
£ 50,000 to £ 54,999	-	1
£ 55,000 to £ 59,999	-	-
£ 60,000 to £ 64,999	-	4
£ 65,000 to £ 69,999	-	1
£ 70,000 to £ 79,999	1	-
£115,000 to £119,999	-	1
£175,000 to £175,999	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 £80,000 and £114,999 and between £120,000 and £174,999, so the staff remuneration table above has been adjusted accordingly.

Disclosure of Remuneration for Senior Employees

2012/13

Post Title	**Salary** (inc fees & allowances	**Bonuses** (PRP)	**Pension Contributions**	**Total Remuneration** (inc pension contribution)
	£	**£**	**£**	**£**
M Phillips - Managing Director	177,776*	9,445	1,796	189,017
(left April 2012) 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.

Following the sale of the stationery side of WMS-JC, several officers transferred as part of the sale agreement.

2011/12

Post Title	**Salary** (inc fees & allowances	**Bonuses** (PRP)	**Pension Contributions**	**Total Remuneration** (inc pension contribution)
	£	**£**	**£**	**£**
Managing Director	107,991	7,184	13,587	128,762
Deputy Managing Director	64,352	4,195	8,157	76,704
Assistant MD - Finance	59,908	3,910	7,592	71,410
Assistant MD – Operations	59,894	3,971	7,600	71,465
Group Procurement Manager	58,047	3,830	7,245	69,122
Group Procurement Manager	57,052	3,831	7,245	68,128
	407,244	**26,921**	**51,426**	**485,591**

	No. of compulsory redundancies		Total no of exit packages by cost band		**Total cost of exit packages in each band**	
	2011/12	2012/13	2011/12	2012/13	**2011/12**	**2012/13**
£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 2012/13 WMS-JC incurred the following fees in respect of external audit and statutory inspection.

	2012/13	**2011/12**
	£000	**£000**
Fees payable to External Auditors with regard to external audit services	22	32

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 council or to be controlled or influenced by the council. 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 WMS-JC'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 WMS-JC 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 WMS-JC has been disclosed by any of the Joint Committee Members or by any of the senior management. WMS-JC is owned by four Member Authorities. Membership entitles the authorities to a share of any surplus generated by WMS-JC. For clarity, the turnover with each Member Authority was:

	2012/13 £000	2011/12 £000
Herefordshire Council	2,316	3,054
Shropshire Council	6,049	8,298
Telford & Wrekin Council	4,124	5,276
Worcestershire County Council	7,069	9,385

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

	2012/13 £000	2011/12 £000
Human Resources Support Services	8	36
Payroll Services	2	5
Treasury Services	4	4
Committee Services	10	16
Financial Advice	14	14
Internal Audit	10	18
Legal Services	-4	7
Procurement	6	-

12. Intangibles, Property, Plant & Equipment

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 comprise the WMS-JC warehouse/office buildings) 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 as detailed below.

Movements in 2012/13

	Intangibles	Land & Buildings	Plant & Equipment	Total Property, Plant & Equipment
	£000	£000	£000	£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 & Impairment				
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

The continuing operation include £1,000 net book value worth of assets retained by WMS-JC following the sale of the stationery division. These are contained in the plant & equipment category. Note 7 details those assets within the discontinued services.

Comparative Movements in 2011/12

	Intangibles £000	Land & Buildings £000	Plant & Equipment £000	Total Property, Plant & Equipment £000
Cost / Valuation				
As at 1 April 2011	1	2,871	1,643	4,515
Additions	1	5	288	294
Disposals	-	-	-90	-90
Revaluation decrease recognised in the Revaluation Reserve	0	-75	0	-75
As at 31 March 2012	2	2,801	1,841	4,644
Accumulated Depreciation & Impairment				
As at 1 April 2011	-	269	706	975
Charge for the year	-	54	280	334
Disposals	-	-	-90	-90
Impairment Recognised in the Comprehensive Income & Expenditure Statement	-	528	-	528
As at 31 March 2012	-	851	896	1,747
Net Book Value				
As at 31 March 2012	**2**	**1,950**	**945**	**2,897**
As at 31 March 2011	1	2,602	937	3,540

13. Contractual Commitments for Property, Plant and Equipment

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

14. Impairment Losses

During 2011/12, WMS-JC has recognised an impairment loss of £0.528 million on non current assets.

15. Long Term Debtors

	31 March 2013 £000	31 March 2012 Dis-continued £000
Member Authorities	-	1,200
Other Local Authorities	-	198
	-	1,398

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

	31 March 2013 £000	31 March 2012 £000
Herefordshire Council	-	53
Shropshire Council	-	687
Telford & Wrekin Council	-	202
Worcestershire County Council	-	258
	-	**1,200**

16. 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 2013 £000	31 March 2012 £000	31 March 2013 £000	31 March 2012 £000
Debtors:				
Loans and receivables	-	1,398	-	-
Financial assets carried at contract amounts	-	-	11,322	14,500
Total Debtors	-	1,398	11,322	14,500
Creditors:				
Financial liabilities at amortised cost	-	1,398	-	-
Financial liabilities carried at contract amount	-	-	13,524	14,435
Total Creditors	-	1,398	13,524	14,435

Income, Expense, Gains and Losses

	2012/13					2011/12				
	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	-81	-	-	-	-81
Total expense in Surplus or Deficit on the Provision of Services	-17	-	-	-	-17	-81	-	-	-	-81
Interest income	-	19	-	-	19	-	15	-	-	15
Total income in Surplus or Deficit on the Provision of Services	-	19	-	-	19	-	15	-	-	15
Gains/losses on revaluation	-	-	-	-	-	-	-	-	-	-
Net gain/(loss) for the year	-17	19	-	-	2	-81	15	-	-	-66

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 WMS-JC
- Liquidity risk – the possibility that WMS-JC 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 WMS-JC 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, WMS-JC has a treasury arrangement with Shropshire Council that provides ready access to liquid funds for short-term borrowing at market interest rates.

Market Risk

WMS-JC 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 WMS-JC turnover.

17. Inventories

Details of inventories held are shown below:

	31 March 2013 £000	31 March 2012 Discontinued £000
Balance at start of year	2,842	3,156
Purchases	830	8,577
Recognised as an expense in the year	-146	-8,891
Disposed of as part of sale of stationery division	-3,526	-
Balance at end of year	-	2,842

18. Short Term Debtors

	31 March 2013 Continuing £000	31 March 2012 Continuing £000	31 March 2012 Discontinued £000
Member Authorities	3,630	4,378	765
Other Local Authorities	7,147	7,198	1,844
Bodies external to general government	545	171	144
	11,322	**11,747**	**2,753**

The amounts shown relate to Continuing services.

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

	31 March 2013 Continuing £000	31 March 2012 Continuing £000	31 March 2012 Discontinued £000
Herefordshire Council	419	394	31
Shropshire Council	873	1,521	444
Telford & Wrekin Council	1,022	938	121
Worcestershire County Council	1,316	1,525	169
	3,630	**4,378**	**765**

19. Cash and Cash Equivalents

	Opening Balance 01/04/2012 £000	Movement During the Year £000	Closing Balance 31/03/2013 £000
Bank current accounts	**1,943**	**2,610**	**4,553**

20. Short Term Creditors

	31 March 2013 Continuing £000	31 March 2012 Continuing £000	31 March 2012 Discontinued £000
Member Authorities	416	341	761
Other Local Authorities	1,846	1,013	161
Bodies external to general government	11,391	11,237	1,224
	13,653	**12,591**	**2,146**

21. Long Term Creditors

	31 March 2013 £000	31 March 2012 Discontinued £000
Member Authorities	-	1,200
Other Local Authorities	-	198
	-	**1,398**

22. IAS 19 Employee Benefits

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

WMS-JC participates in the Shropshire Council Pension Fund, which is a funded Defined Benefit scheme. This means that retirement benefits are determined independently of the investments of the fund and WMS-JC has an obligation to make contributions where assets are insufficient to meet employee benefits. WMS-JC and its employees pay contributions into the fund which is calculated at a level intended to balance pension liabilities with investment assets. WMS-JC 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 following transactions have been made in the Comprehensive Income and Expenditure Account and the Movement in Reserves Statement during 2012/13.

	2012/13 £000	2011/12 £000
Comprehensive Income & Expenditure Account		
Operating Expense (Employees):		
• Current Service Cost	44	294
• Effect of Curtailment	-505	
• Employers Contributions	-304	-363
Pension Impact (IAS19)	-765	-69
Net Operating Expenditure:		
• Interest Cost	509	555
• Expected Return on Assets in the Scheme	-329	-368
Actuarial losses / (gains) on pension fund assets and liabilities	749	625
Net charge to Comprehensive Income & Expenditure Account	**164**	**743**
Movement in Reserves Statement:		
Reversal of net charges made for retirement benefits in accordance with IAS19	281	-481
Actual Amount Charged against the General Fund Balance for Pensions in the Year:		
• Employers contributions payable to the Scheme	304	363
Actuarial (losses) / gains on pension fund assets and liabilities	-749	-625
Movement on Earmarked Pension's Reserve	**-164**	**-743**

Assets and Liabilities in relation to Retirement Benefits.

Reconciliation of present value of the scheme liabilities:

	Funded	Liabilities
	2012/13	**2011/12**
	£000	**£000**
At 1 April	11,181	9,961
Current Service Cost	44	294
Interest cost	509	555
Contributions by scheme participants	16	119
Actuarial (gains) and losses	1,335	398
Curtailments	-505	-
Benefits paid	-520	-146
At 31 March	**12,060**	**11,181**

Reconciliation of fair value of the scheme assets:

	2012/13	2011/12
	£000	**£000**
At 1 April	-6,734	-6,257
Expected rate of return	-329	-368
Actuarial (gains) and losses	-586	227
Employer contributions	-304	-363
Contributions by scheme participants	-16	-119
Benefits paid	520	146
At 31 March	**-7,449**	**-6,734**
Net Pensions Liability at 31 March	**4,611**	**4,447**
Actuarial (gain)/ loss on Liabilities	1,335	398
Actuarial (gain)/ loss on Assets	-586	227
Net (gain)/ loss on Pension Fund	**749**	**625**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was a gain of £0.915m (2011/12: £0.141 gain).

Scheme History

	2012/13	2011/12	2010/11	2009/10	2008/09
	£000	**£000**	**£000**	**£000**	**£000**
Present value of liabilities	12,060	11,181	9,961	9,594	6,556
Fair value of assets	-7,449	-6,734	-6,257	-5,588	-3,849
(Surplus)/deficit in the scheme	4,611	4,447	3,704	4,006	2,707

The liabilities show the underlying commitments that WMS-JC has in the long run to pay retirement benefits. The net liability of £ 4.611 million has a substantial impact upon the net worth of WMS-JC as recorded in the Balance Sheet and is a measure of the extent to which the Pension Fund's existing assets do not meet accumulated future liabilities. The liability excludes any future employee or employer contributions that will be made to fund fully all liabilities.

The employer contribution expected to be made to the Local Government Pension Scheme by WMS-JC in the year to March 2014 is 11.9% of pensionable pay for current staff plus £0.134 million for the lump sum deficit contribution annual amount. The arrangements for funding the deficit will continue under West Mercia Energy for the foreseeable future.

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 principal assumptions used by the actuary have been:

	2012/13	2011/12
Long term expected rate of return on assets:		
Equity Investments	7.0%	7.0%
Government Bonds	2.8%	3.1%
Other Bonds	3.9%	4.1%
Property	5.7%	6.0%
Cash/Liquidity	0.5%	0.5%
Other	0.5%	7.0%
Mortality assumptions:		
Longevity at 65 for current pensioners (years):		
Men	24.2	22.0
Women	25.1	24.7
Longevity at 65 for future pensioners (years):		
Men	24.2	23.4
Women	27.1	26.2
Rate of CPI Inflation	2.4%	2.5%
Rate of Increase in Salaries	3.9%	4.0%*
Rate of Increase in Pensions	2.4%	2.5%
Rate for Discounting Scheme Liabilities	4.2%	4.9%
Take up of option to convert annual pension in to retirement lump sum	50.0%	50.0%

*Allowance has also been made for short term public sector pay restraint over a two year period as announced by Government, in line with the approach adopted for the 2010 actuarial valuation

The WMS-JC pension scheme's assets consist of the following categories, by proportion of the total assets held:

	Type of Asset 2012/13 %	Type of Asset 2011/12 %
Equity Investments	55.7	53.0
Government Bonds	13.1	14.4
Other Bonds	10.1	10.4
Property	3.0	3.6
Cash/Liquidity	4.9	4.8
Other	13.2	13.8
	100.0	**100.0**

History of Experience Gains and Losses

The actuarial gains identified as movements on the Earmarked Pensions Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013:

	2012/13 %	2011/12 %	2010/11 %	2009/10 %	2008/09 Restated %
Differences between the expected and actual return on assets	7.9	3.4	2.6	20.7	-34.9
Experience gains and (losses) on liabilities	0.0	0.0	6.6	0.0	0.0

23. Usable Reserves

An analysis of the usable reserves is shown below:

	Opening Balance 01/04/12 £000	Contributions To £000	Contributions From £000	Closing Balance 31/03/13 £000
General fund	**4,546**	**3,042**	**-5,366**	**2,222**
Earmarked Pensions reserve	-4,447	1,138	-1,302	-4,611
Joint Committee capital adjustment account	2,899	1,801	-4,679	21
Total usable reserves	**2,998**	**5,981**	**-11,347**	**-2,368**

Comparative Analysis in 2011/12

	Opening Balance 01/04/11 £000	Contributions To £000	From £000	Closing Balance 31/03/12 £000
General fund	3,923	1,311	-688	4,546
Earmarked Pensions reserve	-3,704	731	-1,474	-4,447
Joint Committee capital adjustment account	3,467	294	-862	2,899
Total usable reserves	**3,686**	**2,336**	**-3,024**	**2,998**

24. 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. WMS-JC 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 WMS-JC 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.

	2012/13 £000	2011/12 £000
Opening Balance at 1 April	**-4,447**	**-3,704**
Actuarial gains or losses on pensions assets & liabilities	-749	-625
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	281	-481
Employer's pensions contributions & direct payments to pensioners payable in the year	304	363
Closing Balance at 31 March	**-4,611**	**-4,447**

25. 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 Authority as finance for the costs of acquisition, construction and enhancement.

	31 March 2013 £000	31 March 2012 £000
Opening balance at 1 April	2,899	3,467
Fixed assets purchased from revenue resources	30	294
Depreciation of fixed assets	-25	-334
Impairment	-10	-528
Other	-4	-
Sale of non-current assets	-2,869	-
Closing Balance at 31 March	**21**	**2,899**

26. Unusable Reserves

An analysis of the unusable reserves is shown below:

	Opening Balance 01/04/11 £000	Contributions To £000	Contributions From £000	Closing Balance 31/03/12 £000
Revaluation reserve	75	-	-75	-
Total unusable reserves	**75**	**-**	**-75**	**-**

27. Note to the Cashflow Statement

2011-2012 Discontinued £000	2011-2012 Continued £000		2012-2013 Discontinued £000	2012-2013 Continued £000
1,047	1,708	**Net Operating Surplus on Comprehensive I&E Account**	-3,664	2,667
		Adjust net surplus or deficit on the provision of services for non cash movements		
304	30	Depreciation	16	9
441	87	Impairment	10	
		Expenses relating to sale	890	
		Gain on disposal of fixed assets	2,869	
30	88	IAS 19 Movements on Earmarked Pension Reserve		-585
314	-	Increase in inventories	-684	-
-2,665	-986	(Increase) / decrease in debtors	2,401	646
934	3,320	Increase / (decrease) in creditors	-2,773	827
		Adjust for items included in the net surplus or deficit on the provision of services		
		that are investing or financing activities		
-7	-8	Interest and investment income		-19
-6		Sale of motor vehicles		
392	**4,239**	**Net cash inflow from operating activities**	**-935**	**3,545**

27.2 Cash Flow Statement – Investing Activities

	31 March 2013 £000	31 March 2012 £000
Interest and investment income	-19	-15
Purchase of property, plant and equipment	30	294
Proceeds for sale of property, plant and machinery	-	-6
TOTAL	**11**	**273**

27.3 Cash Flow Statement – Financing Activities

	31 March 2013 £000	31 March 2012 £000
Distribution to Member Authorities	-	2,818
TOTAL	**-**	**2,818**

27.4 Movement in Cash and Cash Equivalents

	Balance 31/03/12 £000	**Balance 31/03/13** £000	**Movement In Year** £000
Cash in hand	1,943	4,553	2,610

28. Purchase of Non-current Assets

Non-current assets to the value of £0.030 million were financed from the General Fund Balance in 2012/13 (£0.294 million 2011/12).

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.

WEST MERCIA SUPPLIES JOINT COMMITTEE

ANNUAL GOVERNANCE STATEMENT 2012/13

Scope of Responsibility

West Mercia Supplies Joint Committee (WMS-JC) is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

WMS-JC also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness

In discharging this overall responsibility, WMS-JC is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the organisation's functions and which includes arrangements for the management of risk.

WMS-JC has an interlocking set of documents, protocols and procedures that provide assurance in corporate governance matters which are consistent with the CIPFA/SOLACE Delivering Good Governance in Local Government Framework (2007), CIPFA/SOLACE Application Note to Delivering Good Governance in Local Government: a Framework (March 2010) and CIPFA The Role of the Chief Financial Officer in Local Government (2010) and meets the requirements of regulation 4(2) of the Accounts and Audit (England) Regulations 2011 in relation to the publication of an Annual Governance Statement.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture values, by which WMS-JC is directed and controlled and reviews how its activities contribute to the strategic objectives of the Owning Authorities. It enables WMS-JC to monitor the achievement of its own strategic objectives and to consider whether those objectives have led to the delivery of the intended outcomes as set out in the Business Plan.

The system of internal control is designed to manage risk to a reasonable level and is not intended to eliminate all risk of failure to achieve policies, aims and objectives completely. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is designed to identify and prioritise the risks to the achievement of WMS-JC policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

It is kept under continual review and changes are made to accommodate a changing risk profile when and where necessary. WMS-JC seeks to maintain sound systems to protect against risks and mitigate their impact upon the organisation. The systems are constantly being reviewed and updated. Risks in this policy relate to the whole organisation and not just trading or Health and Safety risks which inevitably form the largest sector of risk.

The Governance Framework

The business is operated under the authority of a Joint Committee formed under the Local Government Act 1972, the Member Authorities being Shropshire Council, Herefordshire Council, Worcestershire County Council and Telford & Wrekin Council. A Joint Agreement between those Member Authorities determines the governance arrangements.

The Joint Committee is the elected Member body responsible for the discharge of the functions of the Member Authorities. The Joint Agreement determines a number of strategic policies that shall be maintained and provides Financial Regulations for the business. It operates under a system of Standing Orders, an annual budget and strategic policies. Many of the strategic policies are modelled on those adopted by Shropshire Council.

Shropshire Council acts as the Lead Authority and employs staff and holds property employed on behalf of the Member Authorities. A Secretary and a Treasurer to the West Mercia Supplies Joint Committee are appointed from the Officers of the Member Authorities. A Managing Director, appointed by the Joint Committee, operated and managed the business up to the point of sale with a Director appointed to run the energy business thereafter.

WMS-JC has an Audit Committee to consider and approve the Joint Committee's annual statement of accounts, to assure the Joint Committee about the objectivity and fairness of the financial reporting and performance of the organisation, the adequacy of the risk management framework and associated controls within the Joint Committee, and that any issues arising from the drawing up, auditing and certifying of the Joint Committee's accounts are properly dealt with.

Objectives, targets and performance measures are set in an Annual Business Plan which reflects the outcome of external and customer consultation, analysis of current and future needs and consideration of current performance.

Members, officers and staff behaviours are governed by Codes of Conduct, which include a requirement for declarations of interest to be completed by Members and Managers annually. Registers of interests of Members are maintained by their own councils.

Key decisions are made by West Mercia Supplies' Joint Committee based on written reports which may include assessments of legal and financial implications, consideration of risks and how these will be managed. Other day to day decisions are made by Managers, which were referred to the Managing Director/Director as appropriate.

Risk Management procedures are formalised within the Risk Management Strategy, which is reviewed on an annual basis. The Business Continuity Plan is reviewed on an annual basis.

Review of Effectiveness

The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within WMS-JC who have responsibility for the development and maintenance of the internal control environment.

Internal Audit

2012/13 Audit programme
Six audits were performed, four of which were issued with good assurance and two with reasonable assurance. A total of 29 recommendations have been made from Internal Audit work performed in the year. No fundamental recommendations have been made.

On the basis of the work undertaken and management responses received, in the opinion of the Audit Service manager, the organisation's financial systems, internal control environment and risk management procedures are sound and working effectively. Furthermore the Audit Service Manager is able to deliver a positive year end opinion on West Mercia Supplies' Joint Committee internal control environment for 2012/13.

Significant Governance Issues

The review process has highlighted some areas of governance where there is a need to clarify or formalise following the transition to West Mercia Energy. These include updating Financial Regulations, Standing Orders, Staff Handbook, Risk Management and Business Continuity Management.

Certification

To the best of our knowledge, the governance arrangements as defined above have been operating effectively during the year. Steps will be taken over the coming year to resolve the governance arrangements as highlighted above. Any improvements implemented shall be monitored as part of the next annual review.

Treasurer: ………………………………………….
(James Walton)

Chairman of the
West Mercia Supplies Joint Committee: ………………………………………….
(Cllr P Price)