

**WEST MERCIA ENERGY JOINT COMMITTEE**  
**STATEMENT OF ACCOUNTS FOR THE YEAR**  
**ENDING 31<sup>ST</sup> MARCH 2015**

## **WEST MERCIA ENERGY JOINT COMMITTEE**

### **CONTENTS**

	<b>Page Number</b>
<b>Foreword and Financial Summary for the Year 2014/15</b>	2
<b>Introductory Statements:</b>	
Statement of Responsibilities and Joint Committee Approval	5
<b>Core Financial Statements and Explanatory Notes:</b>	
Movement in Reserves Statement	7
Comprehensive Income and Expenditure Statement	9
Balance Sheet	10
Cash Flow Statement	11
Notes to the Core Financial Statements	12
<b>Auditors Report</b>	



## **WEST MERCIA ENERGY JOINT COMMITTEE**

### **FOREWORD AND FINANCIAL SUMMARY** **FOR THE YEAR 2014/15**

#### **Introduction**

This document is the Statement of Accounts for West Mercia Energy Joint Committee. It covers the financial year 1 April 2014 to 31 March 2015 and shows the organisation's financial position at the year end together with the trading income and expenditure figures that have been produced throughout the period.

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

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

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

Following the sale of the stationery division of West Mercia Supplies Joint Committee in April 2012, the West Mercia Supplies name and most of the staff transferred as part of the sales agreement, with the energy side of the organisation remaining with the four Member Authorities. The pension liability was retained fully following the sale of the stationery division. The liability as at 31<sup>st</sup> March 2015 was £5.361 million, an increase of £1.382 million, from £3.979 million as at 31<sup>st</sup> March 2014.

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



## **Professional Advice**

Certain professional services are provided for Joint Committee including:

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

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

## **The Statements**

### **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 2015.

### **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 2014/15**

Total turnover during the year amounted to £70,258 million, an increase of £5.886 million over the previous year's total. The net profit realised from trading operations for the year was £1.910 million having reserved £0.039 million for profit related pay.

A General Fund balance of £2.567 million was brought forward from 2014/15. Of this, £1.824 million was distributed to Member Authorities during the financial year. After adjusting for all distributions, the year end General Fund balance at 31 March 2015 is £2.673 million.

The net liabilities of the Joint Committee stood at £2.663 million as at 31 March 2015 (£1.397 million at 31 March 2014). 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 increased by £1.382 million (from £3.979 million to £5.361 million) during the financial year 2014/15.

## **Further Information**

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

J Walton  
S151 Officer  
Shropshire Council  
Shirehall  
Abbey Foregate  
Shrewsbury  
Shropshire  
SY2 6ND

Tel 0345 678 9000



## **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 2015.

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 2015 and its income and expenditure for the year ended 31 March 2015.

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 2015.

Chairman of the  
West Mercia Energy Joint Committee .....  
(Cllr M Owen)

Date:



## MOVEMENT IN RESERVES STATEMENT AS AT 31 MARCH 2015

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 19	Note 20		
	£000	£000	£000	£000
<b>Balance at 31 March 2014</b>	<b>2,567</b>	<b>-3,979</b>	<b>15</b>	<b>-1,397</b>
Net gain for the year	86	-	-	86
Other comprehensive income & expenditure	-1,352	-	-	-1,352
<b>Total comprehensive income &amp; expenditure</b>	<b>-1,266</b>	<b>-</b>	<b>-</b>	<b>-1,266</b>
Transfer to/from Earmarked Reserves	1,372	-1,382	10	-
<b>Increase/(decrease) in year</b>	<b>106</b>	<b>-1,382</b>	<b>10</b>	<b>-1,266</b>
<b>Balance at 31 March 2015</b>	<b>2,673</b>	<b>-5,361</b>	<b>25</b>	<b>-2,663</b>

### 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

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 2014**

	Usable Reserves		Joint Committee capital adjustment account	Total reserves
	General fund	Earmarked pensions reserve		
	Note 19	Note 20		
	£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
<b>Total comprehensive income &amp; expenditure</b>	<b>971</b>	<b>-</b>	<b>-</b>	<b>971</b>
Transfer to/from Earmarked Reserves	-626	632	-6	-
<b>Increase/(decrease) in year</b>	<b>345</b>	<b>632</b>	<b>-6</b>	<b>971</b>
<b>Balance at 31 March 2014</b>	<b>2,567</b>	<b>-3,979</b>	<b>15</b>	<b>-1,397</b>



## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2015

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

	Notes	2014-2015 £000	2013-2014 £000
<b>INCOME</b>			
Turnover	5	-70,258	-64,372
Less cost of goods sold		68,349	62,515
Gross profit		-1,909	-1,857
Other trading operation income		-748	-665
<b>Gross Profit</b>		<b>-2,657</b>	<b>-2,522</b>
<b>OPERATING EXPENSES</b>			
Employees	8	589	598
Pension impact (IAS19)	17	-144	-125
Premises		26	23
Supplies & services		54	51
Central departmental & technical support	9,10	71	76
Provision for bad debts		-6	-4
Depreciation		13	11
<b>Total Operating Expenses</b>		<b>603</b>	<b>630</b>
		<b>-2,054</b>	<b>-1,892</b>
<b>SURPLUS OF SERVICES</b>			
Financing and investment income and expenditure	7	144	164
<b>NET OPERATING SURPLUS</b>		<b>-1,910</b>	<b>-1,728</b>
Distribution to Member Authorities		1,824	1,452
<b>NET GAIN FOR THE YEAR</b>		<b>-86</b>	<b>-276</b>
<b>OTHER COMPREHENSIVE INCOME &amp; EXPENDITURE</b>			
Remeasurements (Liabilities & Assets)	17	1,352	-695
<b>TOTAL COMPREHENSIVE INCOME AND EXPENDITURE</b>		<b>1,266</b>	<b>-971</b>



## BALANCE SHEET

### AS AT 31 MARCH 2015

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 2014 £000		31 March 2015 £000	Notes
15	Plant & equipment	25	11
<b>15</b>	<b>Long term assets</b>	<b>25</b>	
9,388	Short term debtors	10,714	14
4,977	Cash and cash equivalents	5,584	15
<b>14,365</b>	<b>Current assets</b>	<b>16,298</b>	
-11,798	Short term creditors	-13,625	16
<b>-11,798</b>	<b>Current liabilities</b>	<b>-13,625</b>	
<b>2,567</b>	<b>Net current assets</b>	<b>2,673</b>	
-3,979	Other long term liabilities	-5,361	17
<b>-3,979</b>	<b>Long term liabilities</b>	<b>-5,361</b>	
<b>-1,397</b>	<b>Net liabilities</b>	<b>-2,663</b>	
	<b><u>Financed by:</u></b>		
-1,397	Usable Reserves	-2,663	18
<b>-1,397</b>	<b>Total reserves</b>	<b>-2,663</b>	



## CASHFLOW STATEMENT

### FOR THE YEAR ENDED 31 MARCH 2015

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.

<b>2013-2014</b>	<b>2014-2015</b>	
<b>£000</b>	<b>£000</b>	<b>£000 Notes</b>
<b>Operating activities</b>		
<u>Cash outflows</u>		
595 Cash paid to and on behalf of employees	586	
146 Other operating costs	145	
64,373 Cost of goods sold	66,525	
65,114		67,256
<u>Cash inflows</u>		
-66,306 Turnover	-68,932	
-665 Other trading operation income	-748	
-66,971		-69,680
<b>-1,857 Net cash inflow from operating activities</b>		<b>-2,424 21.1</b>
<b>-19 Investing activities</b>		<b>-7 21.2</b>
<b>1,452 Financing activities</b>		<b>1,824 21.3</b>
<b>-424 Net increase in cash and cash equivalents</b>		<b>-607 21.4</b>
4,553 Cash and cash equivalents at 1st April		4,977
<b>4,977</b> Cash and cash equivalents at 31st March		<b>5,584 21.4</b>



## **NOTES TO THE CORE FINANCIAL STATEMENTS**

### **1. Accounting Policies**

#### **1.1 General Principles**

This Statement of Accounts for 2014/15 summarises the Joint Committee's transactions for the 2014/15 financial year and its position at 31 March 2015. The accounts have been prepared in accordance with Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (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. The management of WME are of this view as the Joint Agreement is in place to 31<sup>st</sup> March 2020 and both supplier and customer contracts are in place beyond 31<sup>st</sup> March 2016.

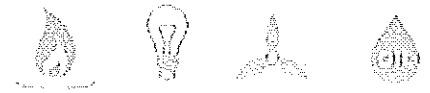
#### **1.3 Legislation**

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

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

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

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



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

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

## **1.5 Accruals of Expenditure and Income**

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

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

## **1.6 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.

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.

### **Recognition**

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



**Measurement After Recognition**

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

**Derecognition**

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

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

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

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

**Depreciation**

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

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

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

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

**Componentisation**

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

## **1.7 Cash and Cash Equivalents**

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

## **1.8 Debtors and Creditors**

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

## **1.9 Reserves**

### **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 2015/16.

### **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.





## 1.10 Employee Benefits

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

### **Benefits Payable During Employment**

Where the accumulating short-term absences (eg annual leave and flexi time earned by employees but not taken at 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 3.3% (based on the indicative rate of return on high quality corporate bonds of appropriate duration).

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

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

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

- Service cost comprising:
  - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the service expenditure
  - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on Services in the Comprehensive Income and Expenditure Statement
  - net interest on the net defined benefit liability (asset), ie net interest expense for West Mercia Energy Joint Committee – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the



beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- Remeasurements comprising:
  - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- Contributions paid to the Shropshire County Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

### **1.11 Interest**

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

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

### **1.12 Foreign Currency**

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

### **1.13 Events After the Balance Sheet Date**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events;



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

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

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

### **1.14 Provisions**

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

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

### **1.15 Value Added Tax (VAT)**

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

### **1.16 Distribution of Surplus to Member Authorities**

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

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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2015/16 Code:



IFRS 13 Fair Value Measurement. This standard provides a consistent definition of fair value and enhanced disclosure requirements. It is designed to apply to assets and liabilities covered by those IFRS standards that currently permit or require measurement at fair value (with some exceptions). The adoption of this standard will require surplus assets (assets that are not being used to deliver services, but which do not meet the criteria to be classified as either investment properties or non-current assets held for sale) to be revalued to market value rather than value in existing use as at present. Operational plant and equipment assets are outside the scope of IFRS 13. Overall this standard is not expected to have a material impact on the Statement of Accounts.

IFRIC 21 Levies. This standard provides guidance on levies imposed by government in the financial statements of entities paying the levy. The IFRIC specifies the obligating event as the activity that triggers the timing of the payment of the levy. The amount payable may be based on information relating to a period before the obligation to pay arises or the levy is payable only if a threshold is reached, or both. This standard will not have a material impact on the Statement of Accounts.

Annual Improvements to IFRSs (2011 – 2013 Cycle). These improvements are minor, principally providing clarification and will not have a material impact on the Statement of Accounts.

The Code requires implementation from 1 April 2015 and there is therefore no impact on the 2014/15 Statement of Accounts.

### **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.

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



#### 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 2015 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
<b>Pensions Liability</b>	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 £263,000. However the assumptions interact in complex ways. During 2014/15 the actuaries advised that the net pensions liability had increased by £1,382,000.

#### 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;

	Gas		Electricity		Oil		Total	
	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000
Sales	-17,089	-18,094	-51,800	-44,297	-768	-1,539	-69,657	-63,930
Other income							-601	-442
<b>Total Turnover</b>							<b>-70,258</b>	<b>-64,372</b>
Gross Profit	-385	-504	-908	-884	-15	-27	-1,308	-1,415
Other income							-601	-442
<b>Total Gross Profit</b>							<b>-1,909</b>	<b>-1,857</b>
Other trading operating income							-748	-665
Employee costs							589	598
Pensions impact							30	63
Depreciation							13	11
Impairment							-	-
Other expenses							74	70
Central expenses							71	76
Interest revenue							-30	-24
<b>Net operating surplus</b>							<b>-1,910</b>	<b>-1,728</b>
Distribution of surplus to Member Authorities							1,824	1,452
<b>Net gain for the year</b>							<b>-86</b>	<b>-276</b>



## 7. Financing and Investment Income and Expenditure

### Interest and Investment Income

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

	2014/15	2013/14
	£000	£000
Pensions interest cost and expected return on pensions	174	188
Interest receivable and similar income	-30	-24
<b>Total</b>	<b>144</b>	<b>164</b>

## 8. Staff Remuneration

In 2014/15 the number of employees who received remuneration in excess of £50,000 fell into the following bands:

Band	Number of Employees	
	2014/15	2013/14
£ 65,000 to £ 69,999	1	1

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

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



## Disclosure of Remuneration for Senior Employees

2014/15

Post Title	Salary (inc fees & allowances) £	Bonuses (PRP) £	Pension Contributions £	Total Remuneration (inc pension contribution) £
Director	61,104	6,893	5,884	73,881
	<b>61,104</b>	<b>6,893</b>	<b>5,884</b>	<b>73,881</b>

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
	<b>60,493</b>	<b>7,487</b>	<b>8,089</b>	<b>76,069</b>

There are no compulsory redundancies or staff members receiving exit packages in 2013/14 or 2014/15.

## 9. Audit Costs

During 2014/15 the Joint Committee incurred the following fees in respect of external audit and statutory inspection.

	2014/15 £000	2013/14 £000
Fees payable to External Auditors with regard to external audit services	17	16





## 10. Related Party Transactions

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

### Members and Officers

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

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

	2014/15 £000	2013/14 £000
Herefordshire Council	2,019	2,105
Shropshire Council	4,215	4,751
Telford & Wrekin Council	4,283	4,019
Worcestershire County Council	6,019	6,548

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

	2014/15 £000	2013/14 £000
Human Resources Support Services	2	7
Payroll Services	2	2
Treasury Services	4	4
Committee Services	6	8
Financial Advice	12	12
Internal Audit	12	14
Legal Services	9	5
Procurement	6	6



## 11. Plant & Equipment

	Plant & Equipment 2014/15	Plant & Equipment 2013/14
	£000	£000
<b>Cost / Valuation</b>		
As at 1 April	37	32
Additions	23	5
As at 31 March	60	37
<b>Accumulated Depreciation</b>		
As at 1 April	22	11
Charge	13	11
As at 31 March	35	22
<b>Net Book Value</b>		
<b>As at 31 March 2015</b>	<b>25</b>	<b>15</b>
As at 31 March 2014	15	21

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

## 12. Contractual Commitments

During the year West Mercia Energy entered into a lease agreement on new premises, at a value not material to the accounts.

There were no capital commitments for the year ended 31<sup>st</sup> March 2014.



## 13. Financial Instruments

### Categories of Financial Instruments

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

	Long term		Current	
	31 March 2015 £000	31 March 2014 £000	31 March 2015 £000	31 March 2014 £000
<b>Debtors:</b>				
Financial assets carried at contract amounts	-	-	10,714	9,388
<b>Total included in Debtors</b>	-	-	10,714	9,388
<b>Creditors:</b>				
Financial liabilities carried at contract amount	-	-	13,522	11,675
<b>Total included in Creditors</b>	-	-	13,522	11,675

### Income, Expense, Gains and Losses

	2014/15					2013/14				
	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	-	-	-	-	-	-	-	-	-	-
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	-	-	-	-	-	-	-	-	-	-
Interest income	-	30	-	-	30	-	24	-	-	24
<b>Total income in Surplus or Deficit on the Provision of Services</b>	-	30	-	-	30	-	24	-	-	24
Gains/losses on revaluation	-	-	-	-	-	-	-	-	-	-
<b>Net gain for the year</b>	-	30	-	-	30	-	24	-	-	24



## Fair Values of Assets and Liabilities

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

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

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

## Nature and Extent of Risks Arising from Financial Instruments

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

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

### Credit Risk

Credit risks arise from deposits with banks and from credit exposures to the organisation's customers. Deposits are made managed by Shropshire Council and are made with banks which satisfy criteria as outlined in Shropshire Council's creditworthiness policy.

Customer debt is managed in accordance with the Joint Committee Credit Management Policy. The level of debt written off each financial year is negligible with the net position of write offs over the last three financial years being less 0.01% of turnover.

### Liquidity Risk

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

### Market Risk

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



## 14. Short Term Debtors

	31 March 2015 £000	31 March 2014 £000
Member Authorities	2,574	2,126
Other Local Authorities	7,751	6,917
Bodies external to general government	389	345
	<b>10,714</b>	<b>9,388</b>

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

	31 March 2015 £000	31 March 2014 £000
Herefordshire Council	367	276
Shropshire Council	644	578
Telford & Wrekin Council	707	566
Worcestershire County Council	856	706
	<b>2,574</b>	<b>2,126</b>

## 15. Cash and Cash Equivalents

	Opening Balance 1 <sup>st</sup> April 2014 £000	Movement During the Year £000	Closing Balance 31 <sup>st</sup> March 2015 £000
Bank current accounts	4,977	607	5,584

## 16. Short Term Creditors

	31 March 2015 £000	31 March 2014 £000
Member Authorities	512	193
Other Local Authorities	2,520	2,233
Bodies external to general government	10,593	9,372
	<b>13,625</b>	<b>11,798</b>



## 17. IAS 19 Employee Benefits

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

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

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

The following transactions have been made in the Comprehensive Income and Expenditure Account and the Movement in Reserves Statement during 2014/15.

	2014/15 £000	2013/14 £000
<b>Comprehensive Income &amp; Expenditure Account</b>		
Operating Expense (Employees):		
• Current Service Cost	46	63
• Administration Expenses	2	2
• Employers Contributions	-192	-190
Pension Impact (IAS19)	-144	-125
Financing and Investment Income and Expenditure:		
• Net Interest Cost	174	188
<b>Total Post-employment benefits contained within Net Operating Surplus</b>	<b>30</b>	<b>63</b>
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)	-571	-598
Actuarial losses arising on changes in demographic assumptions	-	270
Actuarial (gains) and losses arising on changes in Financial assumptions	1,923	-705
Experience loss	-	338
<b>Total Post-employment Benefits contained within the Other Comprehensive Income and Expenditure</b>	<b>1,352</b>	<b>-695</b>
<b>Net charge to Comprehensive Income &amp; Expenditure Account</b>	<b>1,382</b>	<b>-632</b>



2014/15	2013/14
£000	£000

**Movement in Reserves Statement:**

Reversal of net charges made for retirement benefits in accordance with IAS19	-222	-253
Actual Amount Charged against the General Fund Balance for Pensions in the Year:		
• Employers contributions payable to the Scheme	192	190
Remeasurement of the net defined liabilities	-1,352	695
<b>Movement on Pension's Reserve</b>	<b>-1,382</b>	<b>632</b>

**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;

	2014/15	2013/14
	£000	£000
Present Value of the defined benefit obligation	13,933	12,292
Fair Value of plan assets	-8,572	-8,313
Net liability arising from defined benefit obligation	5,361	3,979



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

	2014/15	2013/14
	£000	£000
Opening fair value of scheme assets	-8,313	-7,449
Interest income	-359	-312
Remeasurement gain		
The return on Plan assets	-571	-598
Employer contributions	-192	-190
Contributions by scheme participants	-24	-20
Benefits paid	885	254
Administration Expenses	2	2
<b>At 31 March</b>	<b>-8,572</b>	<b>-8,313</b>

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

	Funded	Liabilities
	2014/15	2013/14
	£000	£000
At 1 April	12,292	12,060
Current Service Cost	46	63
Interest cost	533	500
Contributions by scheme participants	24	20
Remeasurement (gains) and losses		
• Actuarial losses arising from changes in demographic assumptions	-	270
• Actuarial (gains)/losses arising from changes in financial assumptions	1,923	-705
• Experience losses	-	338
Benefits paid	-885	-254
<b>At 31 March</b>	<b>13,933</b>	<b>12,292</b>





## Pension Scheme Assets

	Fair value of Scheme Assets	
	2014/15	2013/14
	£000	£000
Cash & Cash Equivalents		
• Cash Instrument	-	-1
• Cash Accounts	<u>267</u>	<u>204</u>
<b>Cash Total</b>	<b>267</b>	<b>203</b>
Equity Instruments		
• UK Quoted	706	682
• Global quoted	<u>3,753</u>	<u>3,859</u>
<b>Equity Instruments Total</b>	<b>4,459</b>	<b>4,541</b>
Bonds		
• UK Government fixed	-	7
• UK Government indexed	951	826
• Overseas Government Fixed	-	1,161
• Pimco (Global Investment grade Credit)	627	
• Pimco (Global Absolute return bond fund)	<u>609</u>	<u>    </u>
<b>Bonds Total</b>	<b>2,187</b>	<b>1,994</b>
Property		
• Property Funds	<u>351</u>	<u>330</u>
<b>Property Total</b>	<b>351</b>	<b>330</b>
Private Equity	<u>357</u>	<u>350</u>
<b>Private Equity Total</b>	<b>357</b>	<b>350</b>
Other Investment Funds		
• Infrastructure	55	66
• Hedge Funds	<u>896</u>	<u>829</u>
<b>Other Total</b>	<b>951</b>	<b>895</b>
<b>Total assets</b>	<b>8,572</b>	<b>8,313</b>

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:

	2014/15	2013/14
<b>Long term expected rate of return on assets:</b>		
Equity Investments	6.5%	7.0%
Government Bonds	2.2%	3.4%
Other Bonds	2.9%	4.3%
Property	5.9%	6.2%
Cash/Liquidity	0.5%	0.5%
<b>Mortality assumptions:</b>		
Longevity at 65 for current pensioners (years):		
Men	23.9	23.8
Women	26.3	26.1
Longevity at 65 for future pensioners (years):		
Men	26.1	26.0
Women	29.1	29.0
Rate of CPI Inflation	2.0%	2.4%
Rate of Increase in Salaries	3.5%**	3.9%**
Rate of Increase in Pensions	2.0%	2.4%
Rate for Discounting Scheme Liabilities	3.3%	4.5%

\*\*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)	14,196	13,670
Rate of inflation (increase or decrease by 0.1%)	14,194	13,672
Rate of increase in salaries (increase or decrease by 0.1%)	13,941	13,925
Rate of increase in pensions (increase or decrease by 0.1%)	14,194	13,672
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	13,677	14,189

\*The current Defined Benefit Obligation as at 31<sup>st</sup> March 2015 is £13.933 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 £196,000 expected contributions to the scheme in 2015/2016.

The weighted average duration of the defined benefit obligation for scheme members is 19 years, 2014/15 (19 years 2013/2014).



## 18. Usable Reserves

An analysis of the usable reserves is shown below:

	Opening Balance 1 <sup>st</sup> April 2014 £000	Contributions		Closing Balance 31 <sup>st</sup> March 2015 £000
		To £000	From £000	
General Fund	2,567	1,468	-1,362	2,673
Earmarked Pensions reserve	-3,979	192	-1,574	-5,361
Joint Committee capital adjustment account	15	23	-13	25
<b>Total usable reserves</b>	<b>-1,397</b>	<b>1,683</b>	<b>-2,949</b>	<b>-2,663</b>

## Comparative Analysis in 2013/14

	Opening Balance 1 <sup>st</sup> April 2013 £000	Contributions		Closing Balance 31 <sup>st</sup> 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
<b>Total usable reserves</b>	<b>-2,368</b>	<b>1,861</b>	<b>-890</b>	<b>-1,397</b>

## 19. 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.



	2014/15 £000	2013/14 £000
<b>Opening Balance at 1 April</b>	-3,979	-4,611
Remeasurement (Liabilities & Assets)	-1,352	695
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	-222	-253
Employer's pensions contributions & direct payments to pensioners payable in the year	192	190
<b>Closing Balance at 31 March</b>	<u>-5,361</u>	<u>-3,979</u>

## 20. Joint Committee Capital Adjustment Account

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

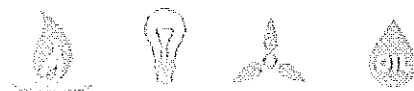
	31 March 2015 £000	31 March 2014 £000
Opening balance at 1 April	15	21
Fixed assets purchased from revenue resources	23	5
Depreciation of fixed assets	-13	-11
<b>Closing Balance at 31 March</b>	<u>25</u>	<u>15</u>



## 21. Note to the Cashflow Statement

### 21.1 Reconciliation of Income and Expenditure Account to Net Cashflow

2013-2014	2014-2015
£000	£000
1,728 <b>Net Operating Surplus on Comprehensive I&amp;E Account</b>	1,910
<b>Adjust net surplus on the provision of services for non cash movements</b>	
11 Depreciation	13
Impairment	
Expenses relating to sale	
IAS 19 Movements on Earmarked Pension	
63 Reserve	30
- Increase in inventories	-
1,934 (Increase) / decrease in debtors	-1,326
-1,855 Increase / (decrease) in creditors	1,827
<b>Adjust for items included in the net surplus on the provision of services</b>	
-24 Interest and investment income	-30
<b>1,857 Net cash inflow from operating activities</b>	<b>2,424</b>



## 21.2 Cash Flow Statement – Investing Activities

	31 March 2015 £000	31 March 2014 £000
Interest and investment income	-30	-24
Purchase of plant and equipment	<u>23</u>	<u>5</u>
<b>TOTAL</b>	<b><u>-7</u></b>	<b><u>-19</u></b>

## 21.3 Cash Flow Statement – Financing Activities

	31 March 2015 £000	31 March 2014 £000
Distribution to Member Authorities	<u>1,824</u>	<u>1,452</u>
<b>TOTAL</b>	<b><u>1,824</u></b>	<b><u>1,452</u></b>

## 21.4 Movement in Cash and Cash Equivalents

	Balance 31/03/14 £000	Balance 31/03/15 £000	Movement In Year £000
Cash in hand	4,977	5,584	607

## 22. Purchase of Non-current Assets

Non-current assets to the value of £23,000 relating to computer equipment and fit out costs for the new premises were financed from the General Fund Balance in 2014/15 (£5,000 2013/14).

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.