



**WEST MERCIA
SUPPLIES
ANNUAL STATEMENT
OF ACCOUNTS 2008/09**

Treasurer
County Hall
WORCESTER

West Mercia Supplies is the Purchasing Consortium of the Councils of Herefordshire, Worcestershire, Shropshire and Telford & Wrekin.

WEST MERCIA SUPPLIES

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WEST MERCIA SUPPLIES

FOREWORD AND FINANCIAL SUMMARY FOR THE YEAR 2008-2009

Introduction

This document is the Statement of Accounts for West Mercia Supplies (WMS). It covers the financial year 1 April 2008 to 31 March 2009 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 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 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 in to four and joint ownership of WMS transferred to them. The four Member Authorities are:

- Herefordshire Council
- Shropshire County Council
- Telford and 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 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 and Wrekin, and three votes each for Shropshire and Worcestershire.

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

Professional Advice

Certain professional services are provided for WMS including:

- **Financial Advice**
The Member Authorities have appointed Worcestershire County Council as Treasurer to the Joint Committee and West Mercia Supplies.
- **Legal Advice**
The Member Authorities have appointed Herefordshire Council as Secretary to the Joint Committee and West Mercia Supplies

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 and the Treasurer to the Joint Committee and confirms the date when the Joint Committee approved the accounts.

Annual Governance Statement

This statement confirms that WMS has sound governance arrangements and a sound system of internal control and also that a review of these arrangements has been conducted.

Statement of Accounting Policies

The accounting policies and procedures adopted by WMS are detailed in this section.

Income and Expenditure Account

This account summarises the annual income and expenditure of the trading operations to show the organisations net surplus for the year.

Statement of Movement on the General Fund Balance

This statement provides a reconciliation of the surplus or deficit on the Income and Expenditure Account to the balances held by WMS.

Statement of Total Recognised Gains and Losses

This statement brings together other gains and losses not recognised in the Income and Expenditure Account with the outturn on the Income and Expenditure Account to show the total movement in WMS' net worth for the year.

Balance Sheet

This sets out the financial position of WMS as at the year-end 31 March 2009.

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 2008-2009

Total turnover during 2008-2009 was £37.162 million, an increase of £5.980 million over the previous year. This increase is due mainly to an increase in utilities turnover over the previous year. The net surplus realised from trading operations for the year was £4.499 million having reserved £0.351 million for profit and performance related pay.

A General Fund balance of £4.798 million was brought forward from 2007-2008. Of this, £3.663 million was distributed to Member Authorities in October 2008. After adjusting for all distributions, the year-end General Fund balance at 31 March 2009 is £5.736 million.

The net assets of WMS stood at £5.783 million as at 31 March 2009 (£4.436 million at 31 March 2008)

Capital expenditure during the year 2008-2009 totalled £0.235 million and was funded entirely from revenue resources.

WMS' retirement benefits liability decreased by £0.265 million from £2.972 million to £2.707 million during the financial year 2008-2009.

Further Information

For further information about WMS Statement of Accounts, please contact:

Mr A. Dipple, Representative of The Treasurer to the Joint Committee of West Mercia Supplies, Financial Services Directorate, Worcestershire County Council, Wildwood Way, Spetchley Road, Worcester, WR5 2NP
Tel:01905 766268

STATEMENT OF RESPONSIBILITIES AND JOINT COMMITTEE APPROVAL

Responsibilities of West Mercia Supplies

West Mercia Supplies 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 Assistant Managing Director - Finance under the supervision of the Managing Director. The Assistant Managing Director - Finance 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 Assistant Managing Director - Finance, is responsible for the preparation of West Mercia Supplies Statement of Accounts which, in terms of the CIPFA Code of Practice on Local Authority Accounting in Great Britain ('the Code'), is required to present fairly the financial position of the Organisation at the accounting date and its income and expenditure for the year ended 31 March 2009.

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' services will continue to operate for the foreseeable future.

APPROVAL OF THE STATEMENT OF ACCOUNTS

Treasurer to the Joint Committee

In accordance with Regulation 10(2) of the Accounts and Audit Regulations 2003, I certify that the Committee’s Statement of Accounts presents fairly the financial position of the Joint Committee at 31 March 2009 and its income and expenditure for the year ended 31 March 2009.

Treasurer to the Joint Committee
(Mike Weaver)

Joint Committee Approval

In accordance with Regulation 10(3)b of the Accounts and Audit Regulations 2003 I certify that the West Mercia Supplies Joint Committee approved the Statement of Accounts for the year ended 31 March 2009 on 29 June 2009.

Chairman of The
West Mercia Supplies Joint Committee

Date: 29 June 2009

ANNUAL GOVERNANCE STATEMENT 2008/09

Scope of Responsibility

West Mercia Supplies 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.

In discharging this overall responsibility, West Mercia Supplies 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.

West Mercia Supplies has an interlocking set of documents, protocols and procedures that provide assurance in corporate governance matters which are consistent with the CIPFA/SOLACE Framework Delivering Good Governance in Local Government code and meet the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture values, by which West Mercia Supplies is directed and controlled and reviews how its activities contribute to the strategic objectives of the Owing Authorities. It enables West Mercia Supplies 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 West Mercia Supplies' 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. West Mercia Supplies 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

West Mercia Supplies is operated under the authority of a Joint Committee formed under the Local Government Act, the Member Authorities being Shropshire County Council, Herefordshire Council, Worcestershire County Council and Telford and Wrekin Council. A Joint Agreement between those Member Authorities determines the governance arrangements of West Mercia Supplies including the Scheme of Delegation.

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

Shropshire County 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, operates and manages West Mercia Supplies.

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, referred to the Managing Director.

Risk Management procedures have been formalised in a Risk Management Strategy, which is reviewed on an annual basis. A Business Continuity Plan was drawn up in 2007 and 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 who have responsibility for the development and maintenance of the internal control environment.

A management team working group, comprising the Managing Director, the Assistant Managing Director - Finance and a Group Procurement Manager, met as required to formally review the Annual Governance Statement (AGS) and prepare the AGS for 2008/09. A detailed report was presented to and considered by the Audit Committee.

Detailed work continued with our utilities supplier to attempt to resolve technical and billing issues which had prevented payment of the supplier's invoices due to lack of certainty as to accuracy. The level of disputed amounts is now below materiality and

these amounts have been brought forward into the new billing system to ensure they remain visible.

In respect of the issues documented in the 2007/08 Governance Statement, a summary of the progress made in each area is detailed below.

GARR Policy

A redrafted Governance Accountability Risk and Reporting (GARR) Policy was presented to the June 2008 Joint Committee. This has been used as the basis for all transacting activity regarding gas and electricity procurement.

The policy requires reviewing, with minor amendments needed to reflect the introduction of new staff onto the utilities team and minor changes to reflect the timetabling of consultants contacts.

As provided by the policy, an exception to the policy was undertaken in September which was subsequently reported at the October Joint Committee Meeting.

The GARR Policy is currently being reviewed by HM Treasury OGC as part of a review of West Mercia Supplies' compliance with agreed Central Government protocols on the management of gas and electricity procurement.

Risk Register

Risk actions were circulated on the following dates: June 2008 (full review), September 2008 (specific items reviewed), and December 2008 (specific items reviewed). A full annual review is scheduled for June 2009.

The Risk Register has been amended to introduce a number of strategic risks which the Audit Committee recommended should be introduced with the appropriate emphasis. These include strategic trading risks, commercial risks attaching to the utilities section and risks resulting from Central Government policies.

The updated Risk Management Strategy was approved by the Joint Committee on 13 October 2008.

A further update of the Risk Management Strategy, Risk Register and Risk Management Action Plan was approved by the Joint Committee on 12 January 2009.

Health and Safety

The Health and Safety Officer has completed an ISOH and NEBOSH course and it is planned for him to do an NVQ Level 4 in Health and Safety. The Warehouse Supervisors shall also be attending IOSH courses.

All existing risk assessments have been reviewed and updated with 13 new ones created. A further 7 office risk assessments have been created. A risk assessment booklet has been issued to all warehouse staff.

Corrective actions from the Health and Safety Audit have been addressed, resulting in additional Health and Safety procedures.

West Mercia Supplies is also working collaboratively with Shropshire County Council's Health and Safety Unit and West Mercia Supplies' Health and Safety Officer is likely to be seconded to Shropshire County Council one day a week.

Governance Issues

The review process has not highlighted any significant issues regarding the governance and internal control environment. Such issues as have been identified are described briefly in the table below:

	Issue	Actions
1	To ensure West Mercia Supplies reaches the appropriate standard with HM Treasury OGC's compliance criteria for electricity and gas procurement. This should enable greater use of West Mercia Supplies' utilities offering to the wider public sector.	Engage with HM Treasury OGC's compliance team to identify the current position and resolve any issues which prevent compliance within the next 12 months.
2	Internal Audit Reports - Payroll and Recruitment, Creditors, Stores and Stock, Finance.	Agree recommendations, obtain sign off by Audit Committee and implement / resolve material recommendations within the next 12 months.
3	Trading Climate / General Economic Conditions.	The appropriate risks have been identified and captured in the Risk Register. Ongoing cost and sales position to be monitored closely over the next 12 months.
4	Stock Control.	The stock control section has been properly resourced. Close scrutiny to be kept on stock levels. Detailed work to be carried out on addressing current levels of obsolete / redundant stock and methods of minimising levels of such items in the future.

Certification

To the best of our knowledge, the governance arrangements as defined above have been operating effectively during the year with the exception of those areas identified in the table above. Steps will be taken over the coming year to address the above matters to further enhance governance arrangements. These steps will address the need for improvements that were identified in the review of effectiveness and their implementation and operation will be monitored as part of the next annual review.

Managing Director:
(Mike Phillips)

Treasurer:
(Mike Weaver)

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

STATEMENT OF ACCOUNTING POLICIES

1. General

This Statement of Accounts has been produced in compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting A Statement of Recommended Practice (SORP) as far as it is practicable and applicable to WMS. The nature of the WMS organisation as a purchasing consortium means that full compliance is not always possible.

2. Basis upon which Debtors and Creditors are included

Revenue transactions are recorded on a system of income and converted payments (accruals) basis. This means that all 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 as at 31 March are included as Debtors. Sums still owed by WMS at 31 March are included as Creditors.

3. Matching & Consistency

Consistent accounting policies have been applied both within the year and between years. Where accounting policies have been changed, the reason and effect have been disclosed separately.

Whilst every effort is made to include a complete year's income and expenditure in each financial year, the timing of some regular payments is such that the year's income and expenditure will not in all cases exactly correspond with the same yearly period as the Statement of Accounts.

4. Primacy of Legislation

Where specific legislative requirements conflict with WMS' own accounting policies, legislative requirements shall apply.

5. Fixed Assets

The principles of accounting for the initial measurement, valuation and depreciation of tangible assets is prescribed in the Financial Reporting Standard (FRS) 15 "Tangible Fixed Assets".

Recognition

Expenditure on the acquisition and enhancement of fixed assets, with a value in excess of £500 is capitalised on an accruals basis in the accounts. To be capitalised, the expenditure must be for assets yielding benefits to WMS for a period of greater than one year.

Measurement

Fixed assets 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). Fixed assets are classified into the groupings required by the Local Authority SORP and are included in the Balance Sheet net of depreciation.

6. Depreciation

Depreciation is calculated by using the straight-line method for buildings, vehicles and equipment. Depreciation is charged over the finite useful life of each asset, these lives being as follows:

Buildings	50 years
Plant and Machinery	3 years
New Motor Vehicles	5 years
Second Hand Motor Vehicles	2 years
Fork Lift Trucks	5 years
Computer Equipment – PC's	3 years
Computer Equipment – mainframe	5 years
Racking	5 years

7. General Fund Balance

The Balance Sheet includes a sum for the General Fund Balance. This shows the total unused accumulated net surplus for WMS carried forward to 2009-10

8. Capital Financing and Asset Restatement Accounts

There are two capital accounts included in the Balance Sheet. These accounts do not represent cash funding available to fund revenue expenditure. The two accounts are:

Revaluation Reserve Account - this shows asset revaluation gains recognised since 1 April 2007.

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

9. Pensions Reserve

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

10. Stocks

All stocks are shown at the lower of cost and net realisable value.

11. Interest

Interest receivable from investments is recognised in the Financial Statements during the period in which it became due to WMS.

12. Foreign Currency

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

13. Leases

Rentals paid under operating leases are recognised in the Financial Statements in the period that they are owed by WMS

14. Bad Debt Provision

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.

15. 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 Income and Expenditure Account in the year that it is agreed by the Joint Committee.

16. Accounting Policy Changes for 2008-2009

The distribution of surplus paid to owning authorities within the year has been recognised in the Income and Expenditure Account: previously, it was recognised in the Statement of Total Recognised Gains and Losses. The accounts for 2007-2008 have been represented for comparative purposes.

Other than stated, there have been no significant changes in the estimation techniques used to deliver accounting policies during the year.

M Weaver
Treasurer to West Mercia Supplies

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2009

	Notes	2008-2009	2007-2008
		£000	£000
INCOME			
Turnover	1.	-37,162	-31,182
Less Cost of Goods Sold		<u>28,476</u>	<u>24,208</u>
Gross Profit on Issues		-8,686	-6,974
Other Trading Operation Income		<u>-314</u>	<u>-288</u>
Gross Profit		<u>-9,000</u>	<u>-7,262</u>
OPERATING EXPENSES			
Employees	2.	2,892	2,672
Premises		216	206
Supplies & Services	3.	390	461
Transport Related xpenses	5.	364	372
Central Departmental & Technical Support	4. 7.	122	137
Interest to Authorities on Surplus	6.	290	263
Provision for Bad Debts		-2	3
Impairment of Buildings		55	
Depreciation		<u>111</u>	<u>110</u>
Total Operating Expenses		<u>4,438</u>	<u>4,224</u>
NET COST OF SERVICES		<u>-4,562</u>	<u>-3,038</u>
Gain on Disposal of Fixed Asset		-5	-4
Interest and Investment Income	6.	-105	-177
Pensions Interest Cost	13.	470	382
Expected Return on Pensions Assets	13.	-297	-306
NET OPERATING SURPLUS		<u>-4,499</u>	<u>-3,143</u>
Distribution of Surplus to Member Authorities		3,663	1,861
NET SURPLUS FOR THE YEAR	8.	<u><u>-836</u></u>	<u><u>-1,282</u></u>

STATEMENT OF MOVEMENT ON THE GENERAL FUND AS AT 31 MARCH 2009

	Notes	2008-2009	2007-2008
		£000	£000
Net Surplus for year on the Income and Expenditure Account		-836	-1,282
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	9.	-102	-255
Increase in the General Fund Balance for the year		-938	-1,537
General Fund Balance brought forward		-4,798	-3,261
General Fund Balance carried forward		-5,736	-4,798

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES AS AT 31 MARCH 2009

	Notes	2008-2009	2007-2008
		£000	£000
Net Surplus for year on the Income and Expenditure Account		-836	-1,282
Surplus arising on revaluation of fixed assets	10.	-75	0
Actuarial (gains)/ losses on pension fund assets and liabilities	13.	-436	614
Total recognised (gains)/ losses for the year		-1,347	-668

BALANCE SHEET AS AT 31 MARCH 2009

31 March 2008 £000		31 March 2009 £000	Notes
	<u>Fixed Assets</u>		
2,523	Warehouse net of depreciation	2,500	
85	Vehicles & Equipment net of depreciation	252	
2,608		2,752	10.
	<u>Current assets</u>		
2,950	Stock	2,630	
5,118	Debtors	5,791	11.
1,016	Cash	1,719	
9,084		10,140	
	<u>Current Liabilities</u>		
-4,284	Creditors	-4,402	12.
-2,972	Liability Related to Defined Benefit Scheme	-2,707	13.
-7,256		-7,109	
4,436	Total Assets Less Liabilities	5,783	
	<u>Financed by:</u>		
-4,798	General Fund	-5,736	
0	Revaluation Reserve	-75	14.
-2,610	Capital Adjustment Account	-2,679	15.
2,972	Pensions Reserve	2,707	13.
-4,436		-5,783	

CASHFLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2009

2007-2008		2008-2009
£000		£000 £000 Notes
Operating Activities		
<u>Cash Outflows</u>		
2,506	Cash Paid to and on Behalf of Employees	2,793
1,442	Other Operating Costs	1,380
26,714	Cost of Goods Sold	28,459
30,662		32,632
<u>Cash Inflows</u>		
-29,714	Turnover	-36,809
-288	Other Trading Operation Income	-314
-30,002		-37,123
660	Net Cash Outflow/(Inflow) from Operating Activities	-4,491 17
 Returns on Investments & Servicing of Finance		
-177	Interest and Investment Income	-105
 Distribution of Surplus		
1,861	Distribution to Member Authorities	3,663
2,344		-933
Capital Activities		
<u>Cash Outflows</u>		
40	Purchase of Fixed Assets	235
<u>Cash Inflows</u>		
-4	Proceeds from Sale of Fixed Assets	-5
2,380	Net Decrease/(Increase) in Cash and Cash Equivalents	-703 17

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Turnover

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

2. Staff Remuneration

In 2008-09, the number of employees who received remuneration in excess of £50,000 fell into the following bands:

Band	Number of Employees	
	2008-2009	2007-2008
£50,000 to £60,000	3	2
£60,001 to £70,000	2	1
£70,001 to £80,000		
£80,001 to £90,000		
£90,001 to £100,000		1
£100,001 to £110,00		
£110,001 to £120,000		
£120,001 to £130,000		
£130,001 to £140,000		
£140,001 to £150,000		
£150,001 to £160,000	1*	

* - this includes backdated performance related pay

3. Publicity Expenditure

Expenditure on Publicity for 2008-2009, as defined in the Local Government Act 1986 comprises £8,109 for recruitment advertising (2007-2008 £13,388)

4. Audit Costs

During 2008-2009 WMS incurred the following fees in respect of external audit and statutory inspection.

	2008-2009	2007-2008
	£000	£000
Fees payable to the Audit Commission with regard to external audit services	33	32
Fees payable to the Audit Commission in respect of statutory inspection	0	0
Fees payable in respect of other services provided by the Audit Commission	0	0
Total	33	32

5. Leasing Payments

Operating lease payments were charged in the Year as follows:

	2008-2009	2007-2008
	£000	£000
Motor Vehicles	0	0
Plant and Machinery	12	12
Total	<u>12</u>	<u>12</u>

WMS has commitments under operating lease agreements due in the financial year to 31 March 2010 as follows:

Expiry	Within 1 Year	From 2-5 Years	Over 5 Years
	£000	£000	£000
Motor Vehicles	0	0	0
Plant and Machinery	0	12	0
Total	<u>0</u>	<u>12</u>	<u>0</u>

6. Interest

There are two interest lines shown in the Income and Expenditure Account account:

Interest and Investment Income

WMS' daily bank balances are invested with Shropshire County Council balances. Interest is debited or credited to WMS on the basis of the level of daily bank balances invested.

Interest to Authorities on Surplus

In accordance with the Joint Agreement WMS pay interest to member authorities on the retained surplus held or invested at 1st April 1998 together with interest on the General Fund held in hand at the beginning of the relevant financial year.

7. Related Party Transactions

Material transactions with related parties, not disclosed elsewhere in the Statement of Accounts, are required to be disclosed as a note to the Core Statements.

The WMS 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 has been disclosed by any of the Joint Committee members or by any of the Senior Management. WMS is owned by four Member Authorities. Membership entitles the authorities to a share of any surplus generated by WMS. For clarity, the turnover with each member authority was:

	2008-2009	2007-2008
	£000	£000
Herefordshire Council	3,464	3,283
Shropshire County Council	7,327	6,702
Telford and Wrekin Council	4,521	4,393
Worcestershire County Council	9,441	9,950

Included within Central Departmental Costs are the following amounts for Services provided by the Member Authorities during the year:

	2008-2009	2007-2008
	£000	£000
Herefordshire Council – Committee Services	7	8
Herefordshire Council – Secretary Services	3	3
Herefordshire Council – Legal Services	3	2
Shropshire County Council – Payroll Services	4	4
Shropshire County Council – Personnel Services	27	26
Shropshire County Council – Treasury Services	4	4
Worcestershire County Council – Financial Advice	13	11
Worcestershire County Council – Internal Audit	20	13

8. Net Surplus Adjustment for PRP/ Distribution Purposes

The Income and Expenditure Account shows the net surplus for the year calculated in compliance with the SORP 2007 guidance.

For internal memorandum purposes, this figure requires adjustment to provide a net surplus that is used to calculate profit and performance pay and member authority distributions.

First, the employee's expenses line in the Income and Expenditure Account accrues for the profit and performance related pay due to employees arising from their performance throughout the year. Second, adjustment is made for the distribution of retained surplus in 2008-09 that has been charged to the Income and Expenditure Account.

Additionally, the effects of FRS17 pension adjustments (See Note 13) have to be neutralised by adjusting for the pension reserve movement.

The calculation is shown in the table below:

	2008-2009	2007-2008
	£000	£000
Net Surplus for the Year – Per Income and Expenditure Account	-836	-1,282
Profit/Performance Related Pay	-351	-250
Distribution of Surplus Member Authorities	-3,663	-1,861
Pensions Reserve Movement	-171	-185
Net Surplus for PRP/ Distribution Purposes	-5,021	-3,578

A proportion of 6.0% of the total Net Surplus for PRP/ Distributions as shown above is to be distributed to staff of WMS (other than Directors) as profit related pay. A further 1% of this Net Surplus total has been allocated to a Performance Related Pay Fund for the Managing Director of WMS.

These statements include distribution from the General Fund to member authorities of £3.663m. This payment distributes part of the General Fund brought forward at the end of year 2007-2008 between member authorities in accordance with the formula determined in the Joint Agreement.

9. The Significance of the Statement of Movement on the General Fund Balance

The Income and Expenditure Account shows the income receivable and the expenditure incurred in operating WMS for the year. This accounting basis is, however, currently out of line with statutory provisions that specify the net expenditure that local authorities should take in to account when setting local taxation (as a Purchasing Consortium jointly owned by four local authorities, WMS must similarly comply with the statutory provisions).

To allow a full presentation of the financial performance of WMS during the year and the actual spending power carried forward to future years, the Income and Expenditure Account must be reconciled to the balance established by the relevant statutory provisions.

The Statement of Movement on the General Fund Balance provides the necessary reconciliation. A detailed breakdown of the reconciling items in the Statement of Movement on the General Fund Balance is shown overleaf:

Breakdown of Reconciling Items in the Statement of Movement on the General Fund Balance

	2008-2009	2007-2008
	£000	£000
Amounts to be included in the Income and Expenditure Account but required by statute to be excluded when determining the movement on the General Fund Balance for the year		
Depreciation and impairment of fixed assets	-166	-110
Net charges made for retirement benefits in accordance with FRS17	-482	-409
Amounts not included in the Income and Expenditure Account but required by statute to be included when determining the movement on the General Fund Balance for the year		
Capital expenditure charged in year to the General Fund Balance	235	40
Employer's contributions payable to the pension fund and retirement benefits payable direct to pensioners	311	224
Net additional amount to be debited to the General Fund Balance for the year	<u><u>-102</u></u>	<u><u>-255</u></u>

10. Fixed Assets

All Fixed Assets except Land and Buildings are valued at cost depreciated over their anticipated useful life, commencing in the year of acquisition. Land and Buildings (which comprise the WMS Warehouse/ Office Buildings) were independently valued at a market value of £2.500m on 30th April 2009 by Richard Edwards MRICS, Estates Surveyor at Shropshire Council. The Land and Buildings are shown at this valuation at 31st March 2009.

	WMS Land £000	WMS Buildings £000	Vehicles, Plant And Equipment £000	Total £000
<u>Cost / Valuation</u>				
As at 1 st April 2008:	525	2,125	853	3,503
Additions	0	0	235	235
Disposals	0	0	-38	-38
Restatement	0	0	0	0
Revaluation	75	0	0	75
Impairment	0	-55	0	-55
Transfers	0	0	0	0
As at 31 st March 2009	600	2,070	1,050	3,720
<u>Accumulated Depreciation</u>				
As at 1 st April 2008:	0	127	768	895
Charge for the year	0	43	68	111
Disposals	0	0	-38	-38
Revaluation	0	0	0	0
Transfers	0	0	0	0
As at 31 st March 2009:	0	170	798	968
<u>Net Book Value</u>				
As at 1 st April 2008:	525	1,998	85	2,608
As at 31 st March 2009:	600	1,900	252	2,752

11. Debtors (amounts falling due within one year)

	31 March 2009 £000	31 March 2008 £000
Trade Debtors – Member Authorities	3,966	3,303
Trade Debtors – Other Customers	1,565	1,507
	5,531	4,810
Prepayments	66	56
Payments on Account	34	83
Other Debtors	160	169
	5,791	5,118

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

	31 March 2009 £000	31 March 2008 £000
Herefordshire Council	643	391
Shropshire County Council	1,585	1,216
Telford and Wrekin Council	666	650
Worcestershire County Council	1,072	1,046
	3,966	3,303

12. Creditors (amounts falling due within one year)

	31 March 2009 £000	31 March 2008 £000
Trade Creditors	2,184	1,449
Accruals	1,221	2,135
Other Creditors	997	700
	4,402	4,284

13. FRS 17 Retirement Benefits Transactions

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

WMS participates in the Shropshire County 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 has an obligation to make contributions where assets are insufficient to meet employee benefits. WMS and its employees pay contributions into the fund which is calculated at a level intended to balance pension liabilities with investment assets. WMS 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 real cost of retirement benefits is reversed out of the Income and Expenditure Account.

SORP 2008 has specified a change in requirements from those for 2007-2008 accounts. For 2008-2009 assets have been valued at realisable value (bid value) rather than at fair value (mid-market value). For comparative purposes, 2007-8 figures are also shown at bid value in line with the SORP 2008 requirements. For WMS, this produced a difference of £5,000, which has been taken as immaterial. In line with the Actuary's advice, the actual gain figures have been adjusted to absorb this difference so that a restatement is not required for 2007-2008.

The Following transactions have been made in the Income and Expenditure Account and the Statement of Movement on the General Fund Balance during 2008-09.

	2008-2009 £000	2007-2008 £000
Income & Expenditure Account		
Operating Expense (Employees):		
• Current Service Cost	309	270
• Past Service Cost (Gain)	0	63
Net Operating Expenditure:		
• Interest Cost	470	382
• Expected Return on Assets in the Scheme	-297	-306
Net charge to Income & Expenditure Account	482	409
Statement of Movement on the General Fund:		
• Reversal of net charges made for retirement benefits in accordance with FRS17	-482	-409
Actual Amount Charged against the General Fund Balance for Pensions in the Year:		
• Employers contributions payable to the Scheme	311	224
Movement on Pension's Reserve	-171	-185

Assets and Liabilities in relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

	Funded 2008-2009 £000	Liabilities 2007-2008 £000
At 1 st April	7,525	6,959
Current Service Cost	309	270
Interest cost	470	382
Contributions by scheme participants	109	89
Actuarial (gains) and losses	-1,784	-117
Benefits paid	-73	-121
Past Service Cost (Gain)	0	63
At 31st March	6,556	7,525

Reconciliation of fair value of the scheme assets:

	2008-2009	2007-2008
	£000	£000
At 1 st April	-4,553	-4,781
Expected rate of return	-297	-306
Actuarial (gains) and losses	1,348	726
Employer contributions	-311	-224
Contributions by scheme participants	-109	-89
Benefits paid	73	121
At 31st March	-3,849	-4,553
Net Pensions Liability at 31st March	2,707	2,972
Actuarial (gain)/ loss on Liabilities	-1,784	-117
Actuarial (gain)/ loss on Assets	1,348	726
Net (gain)/ loss on Pension Fund	-436	609

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 loss of £1.046m (2007/08: £0.116m loss)

Scheme History

	2008-09	2007-08	2006-07	2005-06	2004-05
	£000	£000	£000	£000	£000
Present value of liabilities	6,556	7,525	6,959	6,782	5,441
Fair value of assets	-3,849	-4,553	-4,786	-4,311	-3,175
(Surplus)/deficit in the scheme	2,707	2,972	2,173	2,471	2,266

The liabilities show the underlying commitments that WMS has in the long run to pay retirement benefits. The net liability of £2.707 million has a substantial impact upon the net worth of WMS 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 statutory arrangements for funding the deficit mean that the financial position of WMS remains healthy as the deficit will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total employer contribution expected to be made to the Local Government Pension Scheme by WMS in the year to March 2010 is £0.309 million.

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:

	2008-2009	2007-2008
Long term expected rate of return on assets:		
Equity Investments	7.50%	7.50%
Government Bonds	4.00%	4.60%
Other Bonds	6.00%	6.10%
Property	6.50%	6.50%
Cash/Liquidity	0.50%	5.25%
Other	7.50%	7.50%
Mortality assumptions:		
Longevity at 65 for current pensioners (years):		
Men	21.2	21.1
Women	24.0	24.0
Longevity at 65 for future pensioners (years):		
Men	22.2	22.2
Women	25.0	25.0
Rate of Inflation	3.30%	3.60%
Rate of Increase in Salaries	5.05%	5.35%
Rate of Increase in Pensions	3.30%	3.60%
Rate for Discounting Scheme Liabilities	7.10%	6.10%
Take up of option to convert annual pension in to retirement lump sum	50.0%	50.0%

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

	Type of Asset	Type of Asset
	2008-2009	2007-2008
	%	%
Equity Investments	60.70	65.20
Government Bonds	14.60	13.60
Other Bonds	11.60	12.00
Property	5.90	4.80
Cash/Liquidity	2.40	1.90
Other	4.80	2.50
	<hr/> 100.00	<hr/> 100.00

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2008-09 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2009:

	2008-09	2007-08	2006-07	2005-06	2004-05
	%	Restated %	%	%	%
Differences between the expected and actual return on assets	-34.9	-16.1	-0.6	13.5	-2.9
Experience gains and (losses) on liabilities	0.0	5.8	0.0	-4.0	1.3

14. Revaluation Reserve

	2008-09	2007-08
	£000	£000
Opening Balance at 1 st April	0	0
Revaluation of Assets	75	0
Disposal of Revalued Assets	0	0
Impairment of Revalued Assets	0	0
Closing Balance at 31st March	75	0

The purpose of the Revaluation Reserve is to represent a store of gains on the revaluation of fixed assets not yet realised through sales.

15. Capital Adjustment Account

	2008-09	2007-08
	£000	£000
Opening Balance at 1 st April	-2,610	-2,680
Fixed Assets Purchased form Revenue Resources	-235	-40
Depreciation of Fixed Assets	111	110
Impairment	55	0
Closing Balance at 31st March	-2,679	-2,610

The purpose of the Capital Adjustment Account is to provide a store of capital resources set aside to meet past capital expenditure.

16. Capital Commitment

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

17. Note to Cashflow Statement

i). Reconciliation of Income and Expenditure Account to Net Cashflow

Restated* 2007-2008		2008-2009
£000		£000
3,143	Net Operating Surplus on I&E Account	4,499
	Non Cash Transactions:	
110	Depreciation	111
0	Impairment	55
185	FRS 17 Movements on Pension Reserve	171
	Movements in Items on an Accruals Basis:	
-178	(Increase) / Decrease in Stocks	320
-1,290	(Increase) / Decrease in Debtors	-673
-2,449	Increase / (Decrease) in Creditors	118
	Returns on Investments & Servicing of Finance:	
-177	Interest and Investment Income	-105
	Capital Expenditure and Financial Investment:	
-4	Sale of Motor Vehicles	-5
-660	Net Cash inflow / (outflow) from Operating Activities	4,491

* Restatement due to additional information

ii). Movement in Cash and Cash Equivalents

	Balance 31/03/08 £'000	Balance 31/03/09 £'000	Movement in the Year £'000
Cash In Hand	1,016	1,719	703

iii). Purchase of Fixed Assets

Fixed assets to the value of £234,730 were financed from the General Fund Balance in 2008/09.

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 and is not included in Note i) above.