

**WEST MERCIA
SUPPLIES
ANNUAL STATEMENT
OF ACCOUNTS 2010/11**

Treasurer
Shirehall
SHREWSBURY

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 2010/11**

Introduction

This document is the Statement of Accounts for West Mercia Supplies (WMS). It covers the financial year 1 April 2010 to 31 March 2011 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 into four and joint ownership of WMS transferred to them. The four Member Authorities are:

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

Each Member Authority appoints a number of their Elected Members to serve on the Joint Committee. The Joint Committee is delegated with the operation and management of WMS and is responsible for the discharge of the functions of the Member Authorities. Within the Joint Committee, each Member Authority has voting rights - two votes each for Herefordshire and Telford & Wrekin, and three votes each for Shropshire and Worcestershire.

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

Professional Advice

Certain professional services are provided for WMS including:

- Financial Advice
Worcestershire County Council acted as Treasurer to the Joint Committee and West Mercia Supplies up to 31 March 2011 with Shropshire Council taking over these duties from 1 April 2011.
- Legal Advice
Herefordshire Council acted as Secretary to the Joint Committee and West Mercia Supplies up to 31 March 2011 with Shropshire Council taking over these duties from 1 April 2011.

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.

Movement in Reserves Statement

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

Comprehensive Income and Expenditure Account

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

Balance Sheet

This sets out the financial position of WMS as at the year end 31 March 2011.

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 2010/11

Total turnover during 2010/11 was £49.921 million, an increase of £6.651 million over the previous year's total. 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 £2.390 million having reserved £0.166 million for profit related pay.

A General Fund balance of £5.921 million was brought forward from 2009/10. Of this, £3.818 million was distributed to Member Authorities in October 2010. After adjusting for all distributions, the year end General Fund balance at 31 March 2011 is £3.923 million.

The net assets of WMS stood at £3.761 million as at 31 March 2011 (£4.677 million at 31 March 2010).

Capital expenditure during the year 2010/11 totalled £1.0 million and was funded entirely from revenue resources.

WMS's retirement benefits liability decreased by £0.302 million from £4.006 million to £3.704 million during the financial year 2010/11.

Further Information

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

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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 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 2011.

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's services will continue to operate for the foreseeable future.

The Treasurer to the Joint Committee has also to:

- ensure proper accounting records are kept, which are up to date;
- take reasonable steps for the prevention and detection of fraud and other irregularities.

APPROVAL OF THE STATEMENT OF ACCOUNTS

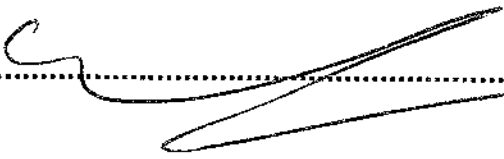
Treasurer to the Joint Committee

In accordance with the Accounts and Audit Regulations 2011 I certify that the Committee's Statement of Accounts provides a true and fair view of the financial position of the Joint Committee at 31 March 2011 and its income and expenditure for the year ended 31 March 2011.

Treasurer to the Joint Committee 
(Rachel Musson)

Joint Committee Approval

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

Chairman of the
West Mercia Supplies Joint Committee 
(Cllr Steve Chermley)

Date: 26/9/2011

MOVEMENT IN RESERVES STATEMENT AS AT 31 MARCH 2011

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

	Usable reserves			Total	Unusable reserves		Total reserves
	General fund	Earmarked pensions reserve	Joint Committee capital adjustment account		Revaluation reserve	Total	
	Note 23	Note 23	Note 23		Note 24		
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2010	5,921	-4,006	2,687	4,602	75	75	4,677
Net deficit for the year	-1,428	0	0	-1,428	0	0	-1,428
Other comprehensive income & expenditure	512	0	0	512	0	0	512
Total comprehensive income & expenditure	-916	0	0	-916	0	0	-916
Transfer to/from Earmarked Reserves	-1,082	302	780	0	0	0	0
Increase/(decrease) in year	-1,998	302	780	-916	0	0	-916
Balance at 31 March 2011	3,923	-3,704	3,467	3,686	75	75	3,761

Earmarked Pensions Reserve

The Earmarked Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits as if in accordance with statutory provisions.

Joint Committee Capital Adjustment Account

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

MOVEMENT IN RESERVES STATEMENT (CONTINUED)
AS AT 31 MARCH 2010

	Usable reserves			Unusable reserves		Total reserves	
	General fund	Earmarked pensions reserve	Joint Committee capital adjustment account	Total	Revaluation reserve		Total
	Note 23 £000	Note 23 £000	Note 23 £000	£000	Note 24 £000		£000
Balance at 31 March 2009	5,929	-2,707	2,679	5,901	75	75	5,976
Net deficit for the year	-87			-87		0	-87
Other comprehensive income & expenditure	-1,212	0	0	-1,212	0	0	-1,212
Total comprehensive income & expenditure	-1,299	0	0	-1,299	0	0	-1,299
Transfer to/from Earmarked Reserves	1,291	-1,299	8	0	0	0	0
Increase/(decrease) in year	-8	-1,299	8	-1,299	0	0	-1,299
Balance at 31 March 2010	5,921	-4,006	2,687	4,602	75	75	4,677

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2011

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

	Notes	2010-2011	2009-2010
		£000	£000
INCOME			
Turnover	4.	-49,921	-43,270
Less Cost of Goods Sold		43,421	35,889
Gross Profit on Issues		<u>-6,500</u>	<u>-7,381</u>
Other Trading Operation Income		-468	-372
Gross Profit		<u>-6,968</u>	<u>-7,753</u>
OPERATING EXPENSES			
Employees	8.	2,917	2,758
Premises		197	215
Supplies & Services	10.	448	435
Transport Related Expenses	10.	324	308
Central Departmental & Technical Support	9. 11.	201	160
Provision for Bad Debts		-1	7
Depreciation		220	138
Total Operating Expenses		<u>4,306</u>	<u>4,021</u>
NET COST OF SERVICES		<u>-2,662</u>	<u>-3,732</u>
Gain on Disposal of Non-current Assets	6.	-7	-4
Financing and Investment Income and Expenditure	7.	279	297
NET OPERATING SURPLUS		<u>-2,390</u>	<u>-3,439</u>
Distribution of Surplus to Member Authorities		3,818	3,526
NET LOSS FOR THE YEAR	12.	<u>1,428</u>	<u>87</u>
Actuarial losses (gains) on pension fund assets and liabilities	22.	-512	1,212
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE		<u><u>916</u></u>	<u><u>1,299</u></u>

BALANCE SHEET AS AT 31 MARCH 2011

The Balance Sheet shows the value as at the Balance Sheet date of the asset and liabilities recognised by the organisation. The net assets of the organisation (assets less liabilities) are matched by the reserves held by the organisation. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the organisation may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves are those that the organisation is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold.

1 April 2009 £000	31 March 2010 £000		31 March 2011 £000	Notes
-	1	Intangible Assets	1	13
2,752	2,759	Property, Plant & Equipment	3,539	13
1,503	1,952	Long Term Debtors	1,733	15
4,255	4,712	Long Term Assets	5,273	
2,658	2,850	Inventories	3,156	17
8,942	12,125	Short Term Debtors	10,514	18
1,719	1,767	Cash and Cash Equivalents	403	19
13,319	16,742	Current Assets	14,073	
-7,388	-10,819	Short Term Creditors	-10,148	20
-7,388	-10,819	Current Liabilities	-10,148	
-1,503	-1,952	Long Term Creditors	-1,733	21
-2,707	-4,006	Other Long Term Liabilities	-3,704	22
-4,210	-5,958	Long Term Liabilities	-5,437	
5,976	4,677	Net Assets	3,761	
		Financed by:		
-5,901	-4,602	Usable Reserves	-3,686	23
-75	-75	Unusable Reserves	-75	24
-5,976	-4,677	Total Reserves	-3,761	

The unaudited accounts were issued on 30th June 2011 and the audited accounts were authorised for issue on 26th September 2011.

CASHFLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2011

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

2009-2010		2010-2011	
£000		£000	£000 Notes
Operating Activities			
<u>Cash Outflows</u>			
2,787	Cash Paid to and on Behalf of Employees	2,840	
1,208	Other Operating Costs	1,256	
32,788	Cost of Goods Sold	44,356	
36,783			48,452
<u>Cash Inflows</u>			
-40,111	Turnover	-51,419	
-372	Other Trading Operation Income	-468	
-40,483			-51,887
-3,700	Net Cash Inflow from Operating Activities		-3,435 26
Investing Activities			
-16	Interest and Investment Income	-12	
146	Purchase of Property, Plant and Equipment	1,000	
-4	Proceeds from Sale of Property, Plant and Equipment	-7	
			981
Financing Activities			
3,526	Distribution to Member Authorities		3,818
-48	Net Decrease/(Increase) in Cash and Cash Equivalents		1,364 26
1,719	Cash and cash equivalents at 1st April		1,767
1,767	Cash and cash equivalents at 31st March		403 26

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies

1.1 General Principles

This Statement of Accounts for 2010/11 summarises the WMS's transactions for the 2010/11 financial year and its position at 31 March 2011. The accounts have been prepared in accordance with Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code Board, as far as it is practicable and applicable to WMS, supported by International Financial Reporting Standards (IFRS). The nature of the WMS organisation as a purchasing consortium means that full compliance is not always possible. The organisation is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011.

1.2 Legislation

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

1.3 Accruals of Expenditure and Income

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

Sums owed to WMS as at 31 March are included as debtors. Sums still owed by WMS at 31 March are included as creditors.

1.4 Intangibles, Property, Plant and Equipment

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

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

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

Recognition

The cost of an item of property, plant and equipment are recognised (and hence capitalised) as an asset on the Balance Sheet if:

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

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

Initial Measurement

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

Measurement After Recognition

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

Derecognition

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

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

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

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

Depreciation

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

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

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

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

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

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

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

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

Componentisation

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

Impairment

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

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

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

1.5 Cash and Cash Equivalents

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

1.6 Inventories

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

1.7 Leases

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

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

Operating Leases

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

1.8 Reserves

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 2011/12.

Revaluation Reserve

This shows asset revaluation gains recognised since 1 April 2007.

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.

1.9 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, 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 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.

1.10 Interest

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

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

1.11 Foreign Currency

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

1.12 Events After the Balance Sheet Date

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

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

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

1.13 Provisions

Provisions are made where an event has taken place that gives WMS a legal or constructive obligation that requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provisions are charged as an expense to the appropriate line in the Comprehensive Income and Expenditure Statement in the year that WMS 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.

1.14 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.

1.15 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 Comprehensive Income and Expenditure Statement in the year that it is agreed by the Joint Committee.

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

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

The items in the WMS's Balance Sheet at 31 March 2011 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
Property, Plant and Equipment	Assets are depreciated over useful lives based upon assumptions about economic life and method of valuation. Assets are revalued at intervals of no more than five years or where there is evidence of material changes in the value.	If the useful life of an asset is reduced, depreciation increases and the carrying amount of the asset falls.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates, and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a one year increase in life expectancy would result in an increase in the pension liability of £229,000. However the assumptions interact in complex ways. During 2010/11 the actuaries advised that the net pensions liability had decreased by £302,000.

3. Transition Arrangements

Principles

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Changes in the classification of leases under IFRS have resulted in agreements that WMS handles between finance companies and third parties being reclassified. As WMS is not identified as the owner of the copiers they do not appear on the balance sheet as a long term asset. However, the lease rentals paid by WMS have been recognised as a short/long term creditor and the end user payments to WMS have been recognised as a short/long term debtor. WMS provides a full bill validation service for its copier customers and as a result has reflected the copier billing transactions in both turnover and cost of goods sold. Whilst it is accepted that it is not in line with the CIPFA code, it is considered to be the most appropriate means of accounting for the transactions and as such forms part of the segmental reporting.

Adoption of the IFRS-based Code has not resulted in any other restatements of any balances or transactions due to any other differences in treatment being considered immaterial.

Furthermore, stock of fuel which was previously classified within debtors, is now shown within stock. Although not an IFRS adjustment this is included in the table below.

The effect of the IFRS adjustments on 2010/11 and 2009/10 balances is as follows:

	<u>After IFRS Adjustments</u>			<u>Pre IFRS Adjustments</u>		
	2010/11	2009/10	2008/09	2010/11	2009/10	2008/09
	£000	£000	£000	£000	£000	£000
Long Term Debtors	1,733	1,952	1,503	0	0	0
Short Term Debtors	10,514	12,125	8,942	9,471	11,096	8,129
Short Term Creditors	10,148	10,819	7,388	9,098	9,762	6,547
Long Term Creditors	1,733	1,952	1,503	0	0	0
Stock	3,156	2,850	2,658	3,149	2,822	2,630

4. Turnover

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

5. Segment Information

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. A further analysis of the components within the Comprehensive Income and Expenditure Statement is as follows:

	Trading		Photocopiers		Utilities		Total	
	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000
Turnover	-13,059	-13,167	-2,356	-2,725	-34,506	-27,378	-49,921	-43,270
Cost of goods sold	8,005	7,982	2,239	2,584	33,177	25,323	43,421	35,889
Gross Profit	-5,054	-5,185	-117	-141	-1,329	-2,055	-6,500	-7,381
Other trading operating income							-468	-372
Salaries & wages							2,917	2,758
Depreciation							220	138
Other expenses							961	961
Central expenses							201	160
Interest revenue							-12	-16
Interest expense							87	83
Pension costs							204	230
Net Operating Surplus							-2,390	-3,439
Distribution of surplus to Member Authorities							3,818	3,526
Net loss for the year							1,428	87

6. Other Operating Expenditure

	2010/11	2009/10
	£000	£000
Gains on the disposal of non-current assets	7	4

7. Financing and Investment Income and Expenditure

Interest and Investment Income

WMS's daily bank balances are invested with Shropshire 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 pays interest to Member Authorities on the retained surplus held or invested at 1 April 1998 together with interest on the General Fund held in hand at the beginning of the relevant financial year.

	2010/11	2009/10
	£000	£000
Interest payable and similar charges	87	83
Pensions interest cost and expected return on pensions	204	230
Interest receivable and similar income	-12	-16
Total	279	297

8. Staff Remuneration

In 2010/11, the number of employees who received remuneration in excess of £50,000 fell into the following bands:

Band	Number of Employees	
	2010/11	2009/10
£50,000 to £59,999	1	1
£60,000 to £69,999	5	5
£110,000 to £119,999	1	-
£150,000 to £159,999	-	1

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

There are no staff members receiving remuneration between £70,000 and £100,999 or between £120,000 and £149,999, so the staff remuneration table above has been adjusted accordingly.

Disclosure of Remuneration for Senior Officers

2010/11

Post Title	Salary (inc fees & allowances)	Bonuses (PRP)	Pension Contributions	Total Remuneration (inc pension contribution)
	£	£	£	£
M Phillips - Managing Director	107,989	10,361	20,538	138,888
Deputy Managing Director	62,574	5,982	11,981	80,537
Assistant MD - Finance	59,386	5,618	11,334	76,338
Assistant MD – Operations	59,325	5,618	11,334	76,277
Group Procurement Manager	58,051	5,525	10,951	74,527
Group Procurement Manager	57,231	5,525	10,951	73,707
	404,556	38,629	77,089	520,274

2009/10

Post Title	Salary (inc fees & allowances)	Bonuses (PRP)	Pension Contributions	Total Remuneration (inc pension contribution)
	£	£	£	£
M Phillips - Managing Director	107,742	*50,210	27,511	185,463
Deputy Managing Director	61,846	6,887	12,016	80,749
Assistant MD - Finance	58,162	7,020	11,381	76,563
Assistant MD – Operations	58,013	6,408	11,274	75,695
Group Procurement Manager	57,862	7,411	11,281	76,554
Group Procurement Manager	57,850	7,280	11,258	76,388
	401,475	85,216	84,721	571,412

* This represents 1% of the net profit for the 2008/09 financial year, as provided under the PERP scheme in operation at the time. This scheme was abolished with effect from 1 April 2009.

9. Audit Costs

During 2010/11 WMS incurred the following fees in respect of external audit and statutory inspection.

	2010/11 £000	2009/10 £000
Fees payable to the Audit Commission with regard to external audit services	35	33

10. Leasing Payments

Operating lease payments were charged in the year as follows:

	2010/11 £000	2009/10 £000
Plant and Machinery	13	13

WMS has commitments under operating lease agreements due in future financial years as follows:

Expiry	Within 1 Year £000	From 2-5 Years £000	Over 5 Years £000
As at 31 March 2011:			
Plant and Machinery	1	1	0
As at 31 March 2010:			
Plant and Machinery	13	1	0

11. 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:

	2010-2011 £000	2009-2010 £000
Herefordshire Council	3,303	3,551
Shropshire Council	8,295	7,778
Telford & Wrekin Council	4,775	4,588
Worcestershire County Council	10,023	9,989

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

	2010/11 £000	2009/10 £000
Herefordshire Council – Committee Services	17	13
Herefordshire Council – Secretary Services	3	3
Herefordshire Council – Legal Services	21	17
Shropshire Council – Payroll Services	4	4
Shropshire Council – Personnel Services	36	35
Shropshire Council – Treasury Services	4	4
Telford & Wrekin Council – ICT Services	31	8
Worcestershire County Council – Financial Advice	14	13
Worcestershire County Council – Internal Audit	25	21

12. Net Surplus Adjustment for PRP/ Distribution Purposes

The Comprehensive Income and Expenditure Account shows the net surplus for the year calculated in compliance with the Code 2010 guidance.

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

First, the employee's expenses line in the Income and Expenditure Account accrues for the profit related pay due to employees arising from their performance throughout the year. Second, adjustment is made for the distribution of retained surplus in 2010/11 that has been charged to the Income and Expenditure Account.

Additionally, the effects of IAS19 pension adjustments (See Note 22) have to be neutralised by adjusting for the Earmarked Pension Reserve movement.

The calculation is shown in the table below:

	2010/11 £000	2009/10 £000
Net (Surplus)/Loss for the Year – Per Comprehensive Income and Expenditure Account	1,428	87
Recognition of March 2009 Utilities Surplus		-193
Profit Related Pay	-166	-237
Distribution of Surplus Member Authorities	-3,818	-3,526
Pensions Movement included in Operating Expenses	-210	-87
Net Surplus for PRP/Distribution Purposes	-2,766	-3,956

A proportion of 6.0% of the total Net Surplus for PRP/Distributions as shown above is to be distributed to staff of WMS as profit related pay.

These statements include distribution from the General Fund to Member Authorities of £3.818 million. This payment distributes part of the General Fund brought forward at the end of year

2009/10 between Member Authorities in accordance with the formula determined in the Joint Agreement.

13. Intangibles, Property, Plant & Equipment

All property, plant and equipment 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 £2.5 million on 30 April 2009 by Richard Edwards MRICS, Estates Surveyor at Shropshire Council. The land and buildings are shown at this valuation at 31 March 2009. The annual depreciation charge for the warehouse/ office buildings has been calculated based on an estimated remaining useful life of 40 years at the date of revaluation.

Movements in 2010/11

	Intangibles £000	Land & Buildings £000	Plant & Equipment £000	Total Property, Plant & Equipment £000
Cost / Valuation				
As at 1 April 2010	1	2,693	914	3,608
Additions	0	178	822	1,000
Disposals	0	0	-93	-93
As at 31 March 2011	1	2,871	1,643	4,515
Accumulated Depreciation				
As at 1 April 2010	0	219	629	848
Charge for the year	0	50	170	220
Disposals	0	0	-93	-93
As at 31 March 2011	0	269	706	975
Net Book Value				
As at 31 March 2011	1	2,602	937	3,540
As at 31 March 2010	1	2,474	285	2,760

Comparative Movements in 2009/10

	Intangibles £000	Land & Buildings £000	Plant & Equipment £000	Total Property, Plant & Equipment £000
Cost / Valuation				
As at 1 April 2009	0	2,670	1,050	3,720
Additions	1	23	122	146
Disposals	0	0	-258	-258
Impairment	0	0	0	0
As at 31 March 2010	1	2,693	914	3,608
Accumulated Depreciation				
As at 1 April 2009	0	170	798	968
Charge for the year	0	49	89	138
Disposals	0	0	-258	-258
As at 31 March 2010	0	219	629	848
Net Book Value				
As at 31 March 2010	1	2,474	285	2,760
As at 31 March 2009	0	2,500	252	2,752

14. Contractual Commitments for Property, Plant and Equipment

At the Balance Sheet date, there were capital commitments relating to ICT projects of £0.048 million.

15. Long Term Debtors

	31 March 2011 £000	31 March 2010 £000	1 April 2009 £000
Member Authorities	1,522	1,664	1,219
Other Local Authorities	211	288	284
	<u>1,733</u>	<u>1,952</u>	<u>1,503</u>

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

	31 March 2011 £000	31 March 2010 £000	1 April 2009 £000
Herefordshire Council	89	107	105
Shropshire Council	974	954	560
Telford & Wrekin Council	242	278	220
Worcestershire County Council	217	325	334
	<u>1,522</u>	<u>1,664</u>	<u>1,219</u>

16. Financial Instruments

Categories of Financial Instruments

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

	Long term			Current		
	31 March 2011 £000	31 March 2010 £000	1 April 2009 £000	31 March 2011 £000	31 March 2010 £000	1 April 2009 £000
Debtors:						
Loans and receivables	1,733	1,952	1,503	-	-	-
Financial assets carried at contract amounts	-	-	-	10,514	12,125	8,942
Total Debtors	<u>1,733</u>	<u>1,952</u>	<u>10,514</u>	<u>10,514</u>	<u>12,125</u>	<u>8,942</u>
Creditors:						
Financial liabilities at amortised cost	1,733	1,952	1,503	-	-	-
Financial liabilities carried at contract amount	-	-	-	9,868	10,195	7,102
Total Creditors	<u>1,733</u>	<u>1,952</u>	<u>1,503</u>	<u>9,868</u>	<u>10,195</u>	<u>7,102</u>

Income, Expense, Gains and Losses

	2010/11					2009/10				
	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	(87)	-	-	-	(87)	(83)	-	-	-	(83)
Total expense in Surplus or Deficit on the Provision of Services	(87)	-	-	-	(87)	(83)	-	-	-	(83)
Interest income	-	12	-	-	12	-	16	-	-	16
Total income in Surplus or Deficit on the Provision of Services	-	12	-	-	12	-	16	-	-	16
Gains/losses on revaluation	-	-	-	-	-	-	-	-	-	-
Net gain/(loss) for the year	(87)	12	-	-	(75)	(83)	16	-	-	(67)

Fair Values of Assets and Liabilities

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

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

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

Nature and Extent of Risks Arising from Financial Instruments

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

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

Credit Risk

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

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

Liquidity Risk

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

Market Risk

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

17. Inventories

Details of inventories held are shown below:

	31 March 2011 £000	31 March 2010 £000
Balance at start of year	2,850	2,658
Purchases	8,311	8,174
Recognised as an expense in the year	-8,005	-7,982
Balance at end of year	<u>3,156</u>	<u>2,850</u>

18. Short Term Debtors

	31 March 2011 £000	31 March 2010 £000	1 April 2009 £000
Member Authorities	5,844	7,445	6,601
Other Local Authorities	4,184	4,073	2,084
Bodies external to general government	486	607	257
	<u>10,514</u>	<u>12,125</u>	<u>8,942</u>

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

	31 March 2011 £000	31 March 2010 £000	1 April 2009 £000
Herefordshire Council	738	1,322	1,026
Shropshire Council	2,470	2,911	2,381
Telford & Wrekin Council	943	1,584	1,259
Worcestershire County Council	1,693	1,628	1,935
	<u>5,844</u>	<u>7,445</u>	<u>6,601</u>

19. Cash and Cash Equivalents

	Opening Balance 01/04/2009 £000	Movement During the Year £000	Opening Balance 01/04/2010 £000	Movement During the Year £000	Closing Balance 31/03/2011 £000
Bank current accounts	1,719	48	1,767	-1,364	403

20. Short Term Creditors

	31 March 2011 £000	31 March 2010 £000	1 April 2009 £000
Member Authorities	1,230	1,287	1,060
Other Local Authorities	625	710	148
Bodies external to general government	8,293	8,822	6,180
	10,148	10,819	7,388

21. Long Term Creditors

	31 March 2011 £000	31 March 2010 £000	1 April 2009 £000
Member Authorities	1,522	1,664	1,219
Other Local Authorities	211	288	284
	1,733	1,952	1,503

22. IAS 19 Employee Benefits

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 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 following transactions have been made in the Comprehensive Income and Expenditure Account and the Movement in Reserves Statement during 2010/11.

	2010/11 £000	2009/10 £000
Comprehensive Income & Expenditure Account		
Operating Expense (Employees):		
• Current Service Cost	352	211
Net Operating Expenditure:		
• Interest Cost	551	473
• Expected Return on Assets in the Scheme	-347	-243
Net charge to Comprehensive Income & Expenditure Account	556	441
Movement in Reserves Statement:		
Reversal of net charges made for retirement benefits in accordance with IAS19		
	-556	-441
Actual Amount Charged against the General Fund Balance for Pensions in the Year:		
• Employers contributions payable to the Scheme	346	354
Actuarial losses / (gains) on pension fund assets and liabilities		
	512	-1,212
Movement on Earmarked Pension's Reserve	302	-1,299

Assets and Liabilities in relation to Retirement Benefits.

Reconciliation of present value of the scheme liabilities:

	Funded 2010/11 £000	Liabilities 2009/10 £000
At 1 April	9,594	6,556
Current Service Cost	352	211
Interest cost	551	473
Contributions by scheme participants	121	123
Actuarial (gains) and losses	-673	2,366
Benefits paid	16	-135
At 31 March	9,961	9,594

Reconciliation of fair value of the scheme assets:

	2010/11	2009/10
	£000	£000
At 1 April	-5,588	-3,849
Expected rate of return	-347	-243
Actuarial (gains) and losses	161	-1,154
Employer contributions	-346	-354
Contributions by scheme participants	-121	-123
Benefits paid	-16	135
At 31 March	-6,257	-5,588
Net Pensions Liability at 31 March	3,704	4,006
Actuarial (gain)/ loss on Liabilities	-673	2,366
Actuarial (gain)/ loss on Assets	161	-1,154
Net (gain)/ loss on Pension Fund	-512	1,212

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.

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

This has an effect of reducing the liabilities in Shropshire County Pension Fund by £625,000 and has been recognised as an actuarial gain in accordance with guidance set down in UTIF Abstract 48, since the change is considered to be an adjustment to the actuarial assumptions previously used to estimate the liability. There is no impact on the General Fund.

The actual return on scheme assets in the year was a gain of £0.468 m (2009/10: £1.397m gain).

Scheme History

	2010/11	2009/10	2008/09	2007/08	2006/07
	£000	£000	£000	£000	£000
Present value of liabilities	9,961	9,594	6,556	7,525	6,959
Fair value of assets	-6,257	-5,588	-3,849	-4,553	-4,786
(Surplus)/deficit in the scheme	3,704	4,006	2,707	2,972	2,173

The liabilities show the underlying commitments that WMS has in the long run to pay retirement benefits. The net liability of £ 3.704 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 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 2012 is £0.346 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:

	2010/11	2009/10
Long term expected rate of return on assets:		
Equity Investments	7.50%	7.50%
Government Bonds	4.40%	4.50%
Other Bonds	5.10%	5.20%
Property	6.50%	6.50%
Cash/Liquidity	0.50%	0.50%
Other	7.50%	7.50%
Mortality assumptions:		
Longevity at 65 for current pensioners (years):		
Men	21.9	21.2
Women	24.6	24.1
Longevity at 65 for future pensioners (years):		
Men	23.3	22.2
Women	26.1	25.0
Rate of RPI Inflation	3.40%	3.30%
Rate of CPI Inflation	2.90%	2.80%
Rate of Increase in Salaries	4.40%	5.05%
Rate of Increase in Pensions	2.90%	3.30%
Rate for Discounting Scheme Liabilities	5.50%	5.60%
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 2010/11 %	Type of Asset 2009/10 %
Equity Investments	65.20	63.10
Government Bonds	11.40	13.10
Other Bonds	10.00	10.70
Property	3.80	4.30
Cash/Liquidity	5.10	4.50
Other	4.50	4.30
	100.00	100.00

History of Experience Gains and Losses

The actuarial gains identified as movements on the Earmarked Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

	2010/11 %	2009/10 %	2008/09 Restated %	2007/08 %	2006/07 %
Differences between the expected and actual return on assets	2.6	20.7	-34.9	-16.1	-0.6
Experience gains and (losses) on liabilities	6.6	0.0	0.0	5.8	0.0

23. Usable Reserves

An analysis of the usable reserves is shown below:

	Opening Balance 01/04/10 £000	Contributions To From £000 £000		Closing Balance 31/03/11 £000
General fund	5,921	2,600	-4,598	3,923
Earmarked Pensions reserve	-4,006	1,318	-1,016	-3,704
Joint Committee capital adjustment account	2,687	1,000	-220	3,467
Total usable reserves	4,602	4,918	-5,834	3,686

Comparative Analysis in 2009/10

	Opening Balance 01/04/09 £000	Contributions To From £000 £000		Closing Balance 31/03/10 £000
General fund	5,929	3,526	-3,534	5,921
Earmarked Pensions reserve	-2,707	597	-1,896	-4,006
Joint Committee capital adjustment account	2,679	8	0	2,687
Total usable reserves	5,901	4,131	-5,430	4,602

23.1 Earmarked Pensions Reserve

The Earmarked Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits as if in accordance with statutory provisions. WMS accounts for post employment benefits in the Comprehensive Income & Expenditure Statement as the benefits earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. Statutory arrangements, however, require benefits earned to be financed as WMS 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.

	2010/11 £000	2009/10 £000
Opening Balance at 1 April	-4,006	-2,707
Actuarial gains or losses on pensions assets & liabilities	512	-1,212
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	-556	-441
Employer's pensions contributions & direct payments to pensioners payable in the year	346	354
Closing Balance at 31 March	-3,704	-4,006

23.2 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 (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

	2010/11	2009/10
	£000	£000
Opening Balance at 1 April	2,687	2,679
Fixed Assets Purchased from Revenue Resources	1,000	146
Depreciation of Fixed Assets	-220	-138
Closing Balance at 31 March	3,467	2,687

24. Unusable Reserves

An analysis of the unusable reserves is shown below:

	Opening Balance 01/04/10 £000	Contributions		Closing Balance 31/03/11 £000
		To £000	From £000	
Revaluation reserve	75	0	0	75
Total unusable reserves	75	0	0	75

Comparative Analysis in 2009/10

	Opening Balance 01/04/09 £000	Contributions		Closing Balance 31/03/10 £000
		To £000	From £000	
Revaluation reserve	75	0	0	75
Total unusable reserves	75	0	0	75

24.1 Revaluation Reserve

The Revaluation Reserve contains the gains made by WMS arising from increases in the value of its Property. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation; or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Joint Committee Capital Adjustment Account.

	2010/11	2009/10	2008/09
	£000	£000	£000
Closing Balance as at 31 March	75	75	75

25. Events after the Balance sheet Date

The owners of WMS consider that WMS is in the fortunate position that it no longer depends on the support of the four Member Authorities and has the potential to be sold as a profitable, going concern to a prospective buyer. Since the Balance Sheet date, the cabinets of each of the Member Authorities have agreed to examine the sale of the organisation in more detail. In September 2011, a sales agent was appointed to pursue the sale of the organisation. No adjustments are required to the Statement of Accounts due to this potential sale of the organisation.

26. Note to Cashflow Statement

26.1 Reconciliation of Income and Expenditure Account to Net Cashflow

2009-2010	2010-2011
£000	£000
3,439 Net Operating Surplus on Comprehensive I&E Account	2,390
Non Cash Transactions:	
138 Depreciation	220
87 IAS 19 Movements on Earmarked Pension Reserve	210
Movements in Items on an Accruals Basis:	
-192 Increase in Inventories	-306
-2,967 (Increase) / Decrease in Debtors	1,830
3,215 Increase / (Decrease) in Creditors	-890
Returns on Investments & Servicing of Finance:	
-16 Interest and Investment Income	-12
Capital Expenditure and Financial Investment:	
-4 Sale of Motor Vehicles	-7
3,700 Net Cash inflow / (outflow) from Operating Activities	3,435

26.2 Movement in Cash and Cash Equivalents

	Balance 31/03/10 £'000	Balance 31/03/11 £'000	Movement in the Year £'000
Cash In Hand	1,767	403	-1,364

26.3 Purchase of Non-current Assets

Non-current Assets to the value of £1.0 million were financed from the General Fund Balance in 2010/11.

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 26.1 above.



ANNUAL GOVERNANCE STATEMENT 2010/11

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.

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

In discharging this overall responsibility, 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, CIPFA/SOLACE Application Note to Delivering Good Governance in Local Government: a Framework (March 2010) and CIPFA The Role of the Chief Financial Officer in Local Government (2010) and meets the requirements of regulation 4(2) of the Accounts and Audit (England) Regulations 2011 in relation to the publication of an Annual Governance Statement.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture values, by which 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 Council, The County of Herefordshire District Council, Worcestershire County Council and Telford & 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 Council.

Shropshire Council acts as the Lead Authority and employs staff and holds property employed on behalf of the Member Authorities. A Secretary and a Treasurer to the West Mercia Supplies Joint Committee are appointed from the Officers of the Member Authorities. A Managing Director, appointed by the Joint Committee, operates and manages West Mercia Supplies.

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

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

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

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

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

Review of Effectiveness

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

A management team working group, comprising the Deputy 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 2010/11.

Risk Register

Risk is actively managed as part of the ongoing operations of West Mercia Supplies. The Risk Management Strategy continues to be reviewed as required and was last updated and amended in July 2010 in accordance with recommendations from the Audit report.

As new risks are identified these are added to the Risk Register and in the event of any incident, risks are reviewed to ensure controls, mitigation measures and scores are appropriate. The Risk Register was reviewed and amended in July 2010 in accordance with recommendations from the Audit report, which included ensuring all controls in place for serious (red risks) are recorded. These have now been recorded fully for all risks in the Risk Register. In addition, Risk Maps have been created. The latest risks were added following the September 2010 Joint Committee, when a Committee member identified several issues.

Internal Audit Reports

2010/11 Audit programme

Significant progress has been made with the work detailed in the Audit Plan, with over three quarters of the work completed or largely completed. The internal audit opinion on internal control and risk management in the areas assessed to date; Trading Activities, Stores and Stock, Corporate Governance and Risk Management, Payroll, and IT Security and Risk; is summarised as being satisfactory, other than Diesel Fuel (part of Stores and Stock) which was regarded as weak. It is noted that prompt improvements regarding Diesel Fuel were made following discussions. No high priority recommendations from the 2009/10 programme are outstanding.

Fuel Theft

In July 2010 diesel fuel with an estimated value of £16,000 was stolen from the fuel tank at WMS' premises. This was promptly identified and reported to the police. Security measures and insurance arrangements were subsequently strengthened and the level of fuel held at any one time has been reduced.

Business Continuity Plan

One of the internal audit medium priority recommendations from 2009/10 was that WMS' Business Continuity Plan should be tested. On review of the current plan, a number of weaknesses were identified and work is ongoing to address these issues. Shropshire Council are supporting WMS in the review and testing of the Business Continuity Plan. The Managing Director has recorded in the Business Plan for 2011/12 that the Business Continuity Plan will be tested by the end of the financial year.

Trading Climate

WMS continues to monitor the trading climate closely. The economic situation has been carefully considered and is taken account of in the Marketing Plan and Business Plan.

The latest financial statements of a key National Education Supplier in the Private Sector, confirm an 11% decline in sales. Although we have not seen that level of decline it is an indication of an increasingly difficult trading environment in the education sector which we will continue to monitor.

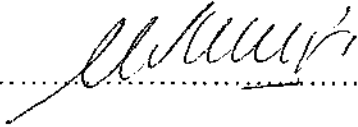
Significant Governance Issues

The review process has highlighted no major issues regarding the governance and internal control environment.

Certification


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

Managing Director:
(Mike Phillips)



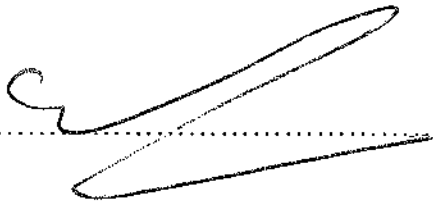
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Treasurer:
(Rachel Musson)



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Chairman of the
West Mercia Supplies Joint Committee:
(Cllr Steve Chaimley)



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WEST MERCIA SUPPLIES JOINT COMMITTEE

Opinion on the Joint Committee accounting statements

I have audited the accounting statements of West Mercia Supplies Joint Committee for the year ended 31 March 2011 under the Audit Commission Act 1998. The accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of West Mercia Supplies Joint Committee in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Treasurer and auditor

As explained more fully in the Statement of the Treasurer's Responsibilities, the Treasurer is responsible for the preparation of the Joint Committee's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practice's Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Joint Committee's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Joint Committee; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the state of West Mercia Supplies Joint Committee's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and

- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

Conclusion on Joint Committee's arrangements for securing economy, efficiency and effectiveness in the use of resources

Joint Committee's responsibilities

The Joint Committee is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Joint Committee has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Joint Committee has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Joint Committee's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the criteria for other local government bodies published by the Audit Commission in October 2010.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Joint Committee had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit commission in October 2010, I am satisfied that, in all significant respects, West Mercia Supplies Joint Committee put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Certificate

I certify that I have completed the audit of the accounts of West Mercia Supplies Joint Committee in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.



Grant Patterson

Officer of the Audit Commission
Opus House
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Beaconside
Stafford
ST18 0LQ

29 September 2011

