

Worcestershire County Council 2007/08 Financial Statements – Summary

Highlights:-

- Revenue spending contained within overall cash limit
- General Balances decrease by £4.9 million to £12.7 million
- Capital Investment £96.3 million
- Pensions Liability up £105.6 million to £257.7 million

Closure & Approval Deadline – The timetable for the closure of accounts process has been delivered to meet the statutory approval deadline of 30th June.

Audit Status – The external auditors, the Audit Commission, have indicated that subject to no matters arising from the public inspection period of 14th July to 8th August, they will issue an unqualified audit opinion on the accounts.

Key issues reflected in the accounts:

Spending within cash limits - Financial results show that revenue spending by the Council's Directorates was within the overall operating cash limits of £271.368 million.

During the year the Council faced additional cost pressures because staff pay awards were more expensive than Treasury guidelines and the emergency response costs arising from the significant floods over the summer. These adverse variances have been more than offset by a favourable variance on money market activity.

The continuing demand for adult social care and the rising cost of looked after children has been managed within the overall budget.

Deficit for the Year

Changes to accounting regulations in 2006/07 and 2007/08 require some items of expenditure to be reclassified and charged to the Income and Expenditure Account that do not impact on the amount to be met from local taxation in the year. Such items include the reduction in fixed asset valuations when assets are either transferred to other public organisations or replaced under PFI contract arrangements.

These technical accounting entries have resulted in the deficit for the year increasing significantly from £9.331 million at 31 March 2007 to £91.134 million at 31 March 2008, although a compensating entry in the Statement of Movement on the General Fund Balance neutralises the impact on the Council tax.

General Balances

General balances have decreased by £4.922 million, slightly less than the £5 million planned, and stand at £12.732 million at 31 March 2008. Looking forward, the Council plans to reduce general balances by £0.308 million to £12.424 million to support the 2008/09 budget.

Earmarked Reserves

In total, monies carried forward to pay for specific future commitments increased by £9.108 million to £57.876 million analysed as below:

School Balances have increased by £2.045 million to £16.493 million. These reserves are maintained at the discretion of school governing bodies.

Directorate Reserves have increased by £2.763 million to £16.071 million. This represents between year flexibility to carry forward funding for specific initiatives.

Insurance Reserves have increased by £0.499 million to £3.884 million and remains sufficient to meet insurance excesses and any uninsured losses.

PFI grant reserves have increased by £1.073 million to £12.017 million.

Future Capital Investment Reserve increased by £2.728 million to £9.411 million and is retained to fund approved schemes in the Capital Programme. The reserve also includes £4.5 million for the Council's commitment to support delivery of the Building Schools for the Future (BSF) project should the Government approve the Council's application for early entry to the BSF programme.

Fixed Assets

The value of fixed assets grew by 3% during the year to £1.008 billion.

New capital investment totalled £96.3 million, with £55.5 million invested in Children's Services, £29.5 million on Environmental Services and the remaining £11.3 million invested mainly in Corporate and Adult & Community Services.

To pay for this investment, the Council borrowed £50.1 million, spent capital grants and contributions totalling £32.7 million, sold £5.6 million of assets no longer required, applied £7.9 million of its revenue budget.

Assets Under Construction

During the year the Council completed £29.930 million of the £39.944 million assets under construction at 31 March 2007. In addition to this, new capital projects begun but not finished during the year totalled £33.743 million. The total value of assets under construction at the end of the year was £43.757 million for which funding is provided in future capital programmes and the Future Capital Investment Reserve.

Other Long Term Assets

The Council's other long term assets comprise the following:-

Long Term Investments – The Council continues to maintain an investment of £0.5 million in Malvern Hills Science Park – a joint venture company established by the County Council with its partners Malvern Hills District Council and the Hereford and Worcester Chamber of Commerce and Enterprise. The investment is valued at the lower of cost or market value. In addition temporary investments of surplus cash balances for more than one year amount to £5.500 million.

Long Term Debtors – Long term debtors have increased by £2.155 million to £6.056 million. This is mainly due to an increase in the future receipt of accommodation costs of older people in our care which is secured by a fixed charge on their property and the accounting treatment required for the annual accrual of PFI assets that will transfer back to the County Council at the end of the contract.

Landfill Allowance Trading Scheme (LATS)

The County Council received a Landfill Allowance from DEFRA of 152,250 tonnes for 2007/08. A value of zero was placed on this allowance and the opening balance held at April 2007 to reflect the current market value of these allowances. Unused allowances of 103,193 tonnes have been carried forward to 2008/09.

Liquidity

Liquidity can be measured by the ratio of current assets less stock, to current liabilities. The Council's current assets (less stock) of £171.569 million exceed its current liabilities of £119.242 million by a ratio of 1.44:1, a slight decrease on last year's ratio of 1.65:1.

The Council's average daily cash position remains healthy, more than sufficient to meet its current liabilities should they ever fall due at one time.

Debtors

Debtors have decreased slightly by £0.592 million over the year to £33.619 million. Trade debtors as a percentage of total debtors have decreased from 35% to 33% (£11.0 million). Other debtors relate mostly to other Local Authorities or Government Departments.

Provision for Bad and Doubtful Debts

The Council has retained a provision for bad and doubtful debts of £0.619 million. This calculated amount equates to the value of all debts over 3 years old and a proportion of debts less than 3 years old.

Investments

The Council invests surplus cash on the London money market, typically for periods less than one year to approved organisations. These investments have decreased by £9.259 million to £113.975 million over the year.

The average rate earned on investments was 5.73% for the year (4.88% 2006/07).

Appendix 1

Broadly, the total investments of £113.975 million comprises:-

	06/07	07/08
Cash Backed Balances	£m	£m
General Balances	17.655	12.732
Earmarked Reserves (cash items only)	48.384	57.876
Provision for Bad and Doubtful Debts	0.250	0.619
Provisions (cash items only)	0.229	0.493
Working Capital	56.716	42.255
Total	123.234	113.975

Creditors

Creditors have increased by £12.486 million to £116.431 million. Trade creditors as a percentage of total creditors have increased from 51% to 54% (£63.235 million).

Long Term Borrowing

The Council's Long Term Borrowing has increased by £25.081 million to £304.951 million. The average rate of interest payable on long term borrowing was 4.47% for the year (4.48% 2006/07).

The maturity profile of the long term borrowing at 31st March 2008 was as follows:-

Within	£m	%
1 year	31.530	10.3
1 – 2 years	22.507	7.4
2 – 5 years	8.012	2.6
5 – 10 years	10.778	3.6
10 years and over	232.124	76.1
Total	304.951	100.0

Provisions

Provisions of £0.195 million (£0.221 million 2006/07) have been included in the accounts to allow for the repayment to Mental Health clients for their contribution made towards the costs of their care that has now been judged in law to be not chargeable. A further £0.298 million (£0.008 million 2006/07) is provided for staff redundancy costs.

Pension Fund

The Pension Fund's actuary has calculated the County Council's share of the net pension fund liability to be £257.688 million, which is an increase of £105.628 million from last year.

Worcestershire Pension Fund 2007/08 Financial Statements - Summary

Highlights:-

- **Reduction in Net Assets of 4.1% to £1.194 billion**
- **Surplus for the year £44.3 million, up 7.0% on last year**
- **20,269 contributors to the fund**
- **11,603 pensions paid**
- **Investment earnings up 10%**
- **Assets valued at 72% of liabilities at 31/03/07**
- **Employers rate updated from 01/04/08 – set to fund fully all liabilities over the next 22 years.**

Key issues during the year:

Net Assets down 4.1% - The value of the Pension Fund's Net Assets decreased by 4.1% or £51.491 million to £1,194.698 million. The decrease included £29.3 million investment income offset by a decrease in the market value of investments of £95.8 million.

Surplus up 7.0% - The surplus for the year totalled £44.329 million, an increase of 7.0% or £2.891 million from last year.

Investment Earnings up 10% - Investment income rose by 10% or £2.725 million to £29.348 million from last year.

Actuarial Valuation – The last actuarial valuation of the fund at 31 March 2007 indicated assets covered 72% of liabilities (67% at 31/03/04). As a result changes in the Employers Contribution Rates from 1st April 2008 have been made to boost assets so they will match 100% of liabilities over 22 years. The next actuarial valuation uses data at 31st March 2010 with any changes in contribution rates effective from 1st April 2011.