

Worcestershire County Council 2006/07 Financial Statements – Summary

Highlights:-

- Revenue spending contained within overall cash limit
- General Balances decrease by £2.0 million to £17.7 million
- Capital Investment £74.8 million
- Pensions Liability down £24.3 million to £152.1 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 Audit Commission’s independently appointed external auditors PricewaterhouseCoopers have indicated that subject to no matters arising from the public inspection period of 18th June to 13th July, they will issue an unqualified audit opinion on the accounts at the end of July.

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 £254.965 million.

General Balances

General balances have decreased by £2.037 million to £17.655 million. The Council budgeted to transfer £4.601 million from general balances during 2006/07, however following a favourable variance on money market activity, additional surplus distributed by West Mercia Supplies and receipt of Local Public Service Agreement reward grants, only £2.037 million was transferred. Looking forward, the Council plans to reduce general balances by £5.000 million to £12.655 million to support the 2007/08 budget.

Earmarked Reserves

In total, monies carried forward to pay for specific future commitments increased by £3.346 million to £48.768 million analysed as below:

School Balances have increased by £0.858 million to £14.448 million. These reserves are maintained at the discretion of school governing bodies.

Directorate Reserves have increased by £1.144 million to £14.808 million. This represents between year flexibility to carry forward funding for specific initiatives.

Insurance Reserves have increased by £0.261 million to £3.385 million and remains sufficient to meet insurance excesses and any uninsured losses.

PFI grant reserves have increased by £0.204 million to £9.444 million.

Future Capital Investment Reserve increased by £0.879 million to £6.683 million.

Fixed Assets

The value of fixed assets grew by 5% during the year to £992 million.

New capital investment totalled £74.8 million, with £40.5 million invested in Children's Services, £21.6 million on Environmental Services and the remaining £12.7 million invested mainly in Corporate and Adult & Community Services.

To pay for this investment, the Council borrowed £43.9 million, spent capital grants and contributions totalling £18.7 million, sold £7.5 million of assets no longer required, spent £4.7 million of its revenue budget on capital projects.

Assets Under Construction

The Council completed £24.756 million of the brought forward assets under construction value of £38.770 million during the year. In addition to this, new capital projects begun but not finished during the year totalled £25.930 million. The total value of assets under construction at the end of the year was £39.944 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.

Long Term Debtors – Long term debtors have increased by £0.475 million to £3.901 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.

Landfill Allowance Trading Scheme (LATS)

The County Council has received an allowance for 2006/07 from DEFRA of £0.822 million; balances held at April 2006 were revalued at net current realisable value, giving a decrease of £0.536 million, resulting in a balance of £3.793 million at 31 March 2007.

An offsetting provision of £3.409 million is also recorded to represent the extent to which this allowance has been used, this figure will be not be verified until after 30th September 2007.

The calculated surplus for LATS for 2006/07 is £0.384 million and this has been carried forward as an earmarked reserve to support any shortfall in future years.

Liquidity

Liquidity can be measured by the ratio of current assets less stock, to current liabilities. The Council's current assets (less stock) of £173.810 million exceed its current liabilities of £105.063 million by a ratio of 1.65:1, a slight decrease on last year's ratio of 1.74:1.

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 increased by £7.381 million over the year to £34.211 million. Trade debtors as a percentage of total debtors have decreased marginally from 36% to 35% (£11.9 million). Other debtors relate mostly to other Local Authorities or Government Departments.

Provision for Bad and Doubtful Debts

The Council has retained its provision for bad and doubtful debts of £0.250 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 £6.598 million to £123.234 million over the year.

The average rate earned on investments was 4.88% for the year (4.61% 2005/06).

Appendix 1

Broadly, the total investments of £123.234 million comprises:-

	05/06	06/07
Cash Backed Balances	£m	£m
General Balances	19.692	17.655
Earmarked Reserves (cash items only)	49.025	48.384
Provision for Bad and Doubtful Debts	0.250	0.250
Provisions (cash items only)	0.494	0.229
Working Capital	60.371	56.716
Total	129.832	123.234

Creditors

Creditors have increased by £14.914 million to £103.945 million. Trade creditors as a percentage of total creditors have decreased from 60% to 51% (£53.003 million).

Long Term Borrowing

The Council's Long Term Borrowing has increased by £30.873 million to £279.870 million. The average rate of interest payable on long term borrowing was 4.42% for the year (4.48% 2005/06).

The maturity profile of the long term borrowing at 31st March 2007 was as follows:-

Within	£m	%
1 year	23.766	8.5
1 – 2 years	30.000	10.7
2 – 5 years	0	0
5 – 10 years	10.646	3.8
10 years and over	215.458	77.0
Total	279.870	100.0

Provisions

Provisions of £0.221 million (£0.221 million 2005/06) 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 £0.008 million (£0.273 million 2005/06) is provided for staff redundancy costs.

In addition to this, the County Council estimates it's Landfill Usage Allowance usage to be £3.409 million and is required to account for this as a provision.

Pension Fund

The Pension Fund's actuary has calculated the County Council's share of the net pension fund liability to be £152.060 million, which is a reduction of £24.290 million from last year.

Worcestershire Pension Fund 2006/07 Financial Statements - Summary

Highlights:-

- Growth in Net Assets of 7.72% to £1,246 million
- Surplus for the year £41.4 million, up 4.2% on last year
- 19,496 contributors to the fund
- 11,071 pensions paid
- Investment earnings up 5%
- Assets valued at 67% of liabilities at 31/03/04
- Employers rate updated from 01/04/05 – set to fund fully all liabilities over the next 25 years.

Key issues during the year:

Net Assets up 7.72% - The value of the Pension Fund's Net Assets increased by 7.72% or £89.333 million to £1,246.189 million. The increase included £26.6 million investment income and an increase in the market value of investments of £47.9 million.

Surplus up 1.45% - The surplus for the year totalled £41.439 million, an increase of 4.2% or £1.683 million from last year.

Investment Earnings up 5% - Investment income rose by 5% or £1.259 million to £26.623 million from last year.

Actuarial Valuation – The last actuarial valuation of the fund at 31 March 2004 indicated assets covered 67% of liabilities (89.5% at 31/03/01). As a result changes in the Employers Contribution Rates from 1st April 2005 have been made to boost assets so they will match 100% of liabilities over 25 years. The next actuarial valuation uses data at 31st March 2007 with any changes in contribution rates effective from 1st April 2008.