

Worcestershire County Council 2005/06 Financial Statements – Summary

Highlights:-

- **Surplus / Deficit for year £0**
- **General Balances remain at £19.7 million**
- **RSG clawback £1.204 million funded**
- **Capital Investment £68.8 million**
- **Pensions Liability down £3 million to £176.4 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 26th June to 21st 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 £482.154 million.

2004/05 & 2005/06 RSG Clawback – During the current financial year the County Council was informed by the Government of a change to the 2004/05 and 2005/06 Local Government Finance Settlements, which has resulted in the Government issuing an amending report for these years. As a result, the Council is required to repay £1.204 million to the Government and this liability has been reflected in the 2005/06 accounts.

General Balances

General balances have remained unchanged for the year at £19.692 million. The Council budgeted to transfer £4.850 million from general balances during 2005/06, however following the release of £4.601 million from the Future Capital Investment Reserve and a revenue surplus of £0.249 million this transfer has not been necessary. Looking forward, the Council plans to reduce general balances by £4.601 million to £15.091 million to support the 2006/07 budget.

Earmarked Reserves

In total, monies carried forward to pay for specific future commitments increased by £5.434 million to £49.735 million analysed as below:

School Balances have decreased by £0.529 million to £13.590 million. These reserves are maintained at the discretion of school governing bodies.

Directorate Reserves have increased by £3.699 million to £13.664 million. This represents between year flexibility to carry forward funding for specific initiatives.

Insurance Reserves have increased by £0.393 million to £3.124 million and remains sufficient to meet insurance excesses and any uninsured losses.

PFI reserves have increased by £1.220 million to £9.240 million.

The **Future Capital Investment Reserve** increased by £0.651 million to £10.117 million. The net increase constituted a transfer of £4.601 million to revenue, a withdrawal from reserve of £4.015 million to pay for existing capital expenditure, and a net increase of £9.267 million in respect of movements on revenue contributions, grants and external contributions during the year.

Fixed Assets

The value of fixed assets grew by 16% during the year to £940.5 million.

New capital investment totalled £68.8 million, with £34.7 million invested in Education, £17.6 million on local transport infrastructure and the remaining £16.5 million invested mainly in Corporate and Social Services.

To pay for this investment, the Council borrowed £39.2 million, spent capital grants and contributions totalling £17.7 million, sold £7.4 million of assets no longer required, spent £0.5 million of it's revenue budget on capital projects, and transferred £4.0 million from the Future Capital Investment Reserve.

Assets Under Construction

The Council completed £31.409 million of the brought forward assets under construction value of £50.865 million during the year. In addition to this, new capital projects begun but not finished during the year totalled £19.314 million. The total value of assets under construction at the end of the year was £38.770 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 it's 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.

Appendix 1

Long Term Debtors – Long term debtors have increased by £0.712 million to £3.426 million. This is mainly due to an increase in the future receipt of accommodation costs of elderly 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 2005/06 from DEFRA of £3.507 million which is shown as a current asset in the balance sheet. An offsetting provision of £2.797 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 2006.

The calculated surplus for LATS for 2005/06 is £0.710 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 £157.089 million exceed its current liabilities of £71.204 million by a ratio of 1.83:1, a slight increase on last year's ratio of 1.76:1.

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 by £2.493 million over the year to £26.830 million. Trade debtors as a percentage of total debtors have increased marginally from 35% to 36% (£9.8 million) for 2005/06. Other debtors relate mostly to other Local Authorities or Government Departments.

Provision for Bad and Doubtful Debts

The Council has decreased its provision for bad and doubtful debts by £0.115 million to £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 increased by £27.719 million to £129.832 million over the year.

The average rate earned on investments was 4.61% for the year (4.58% 2004/05).

Appendix 1

Broadly, the total investments of £129.832 million comprises:-

	04/05	05/06
Cash Backed Balances	£m	£m
General Balances	19.692	19.692
Earmarked Reserves (cash items only)	44.301	49.025
Provision for Bad and Doubtful Debts	0.365	0.250
Provisions (cash items only)	0.551	0.494
Working Capital	37.204	60.371
Total	102.113	129.832

Creditors

Creditors have increased by £10.534 million to £84.718 million. Trade creditors as a percentage of total creditors have increased marginally from 58% to 60% (£50.485 million) for 2005/06.

Long Term Borrowing

The Council's Long Term Borrowing has increased by £37.812 million to £248.997 million. The average rate of interest payable on long term borrowing was 4.48% for the year (4.59% 2004/05).

The maturity profile of the long term borrowing at 31st March 2006 was as follows:-

Within	£m	%
1 year	20.000	8.0
1 – 2 years	26.066	10.5
2 – 5 years	21.856	8.7
5 – 10 years	14.412	5.8
10 years and over	166.663	67.0
Total	248.997	100.0

Provisions

Provisions of £0.221 million (£0.400 million 2004/05) 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 £0.273 million (£0.151 million 2004/05) is provided for staff redundancy costs.

In addition to this, the County Council estimates it's Landfill Usage Allowance usage to be £2.797 million and is required to account for this as a provision.

Pension Fund

The Pension Fund's actuary has calculated the Council's net pension fund liability to be £176.350 million, which is a modest reduction of £3.083 million from last year.

Worcestershire Pension Fund 2005/06 Financial Statements - Summary

Highlights:-

- **Growth in Net Assets of 27.28% to £1,157 million**
- **Surplus for the year £39.8 million, up 1.45% on last year**
- **18,793 contributors to the fund**
- **10,597 pensions paid**
- **Investment earnings up 14%**
- **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 27.28% - The value of the Pension Fund's Net Assets increased by 27.28% or £247.952 million to £1,156.856 million. The increase included £25 million investment income and an increase in the market value of investments of £208 million.

Surplus up 1.45% - The surplus for the year totalled £39.756 million, an increase of 1.45% or £0.570 million from last year.

Investment Earnings up 14% - Investment income after tax rose by 14% or £2.917 million to £23.944 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 is due 31st March 2007 with any changes in contribution rates effective from 1st April 2008.