

Worcestershire County Council

2009/10 Financial Statements – Summary

The following summary includes the main highlights of the 2009/10 Financial Statements and key issues reflected in the accounts which incorporate relevant financial management ratios recommended by the Audit Commission.

1. Highlights:-

- Revenue spending contained within overall cash limit
- General Balances remained at £12.7 million
- Capital Investment £79.8 million
- Pensions Liability increased by £70.6 million to £324.3 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 24th June to 21st July, they will issue an unqualified audit opinion on the accounts.

2. Key issues reflected in the accounts:-

a) Spending within cash limits

Financial results show that revenue spending by the Council's Directorates was within the overall operating cash limits of £298.975 million.

During the year the Council faced additional costs in some areas offset by lower expenditure in other areas. The key issues have been:

- staff pay did not increase by as much as originally envisaged with a pay award settlement of 1% rather than the 2.5% budgeted. The favourable variance is £1.3 million;
- demographic pressures in Adult Social Care continue to be very challenging and it has been necessary to draw £0.2 million from Directorate reserves to fund the current demand;
- treasury management activity yielded a positive variance for the year of £2.7 million;
- West Mercia Supplies continues to make steady progress and the Council's share of its operating surplus increased by £0.5 million; and
- the exceptionally harsh winter placed more demand than anticipated on the roads maintenance and gritting budgets with an adverse variance of £1.1 million, necessitating the use of Directorate reserves.

b) Deficit for the Year

Accounting regulations 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.

These technical accounting entries have resulted in the deficit for the year increasing from £36.222 million in 2008/09 to £45.566 million in 2009/10, although a compensating entry in the Statement of Movement on the General Fund Balance neutralises the impact on the Council tax.

c) General Balances

General balances have not changed and remain at £12.732 million at 31 March 2010. Recognising the exceptionally difficult economic circumstances and the risks facing the Council it is planned to strengthen General Balances by £3.085 million in 2010/11 taking the estimated closing balance to around £15.8 million at 31 March 2011.

d) Earmarked Reserves

In total, monies carried forward to pay for specific future commitments increased by £2.529 million to £62.834 million analysed as below:

School Balances have increased by £0.801 million to £14.479 million. These reserves are maintained at the discretion of school governing bodies.

Directorate Reserves have decreased by £1.063 million to £23.079 million. This represents between year flexibility to carry forward funding for specific initiatives.

Insurance Reserves have increased by £0.826 million to £5.416 million and remains sufficient to meet insurance excesses and any uninsured losses.

PFI grant reserves have increased by £1.757 million to £13.990 million.

Future Capital Investment Reserve increased by £0.208 million to £5.870 million and is retained to preserve funding of £2.545 million for existing projects in future years, £2.325 million for the Council's commitment to support delivery of Building Schools for the Future project and £1.000 million to support the investment in energy saving projects.

Audit Commission Ratio:			
• Useable reserves as % of general revenue			
	2007/08	2008/09	2009/10
	£m	£m	£m
Useable reserves	70.608	73.037	75.566
General revenue expenditure	357.502	348.250	369.468
Ratio	0.198	0.210	0.205
• School balances as % of dedicated schools grant			
	2007/08	2008/09	2009/10
	£m	£m	£m
Schools balances	16.493	13.678	14.479
Dedicated Schools Grant	271.961	282.736	288.576
Ratio	0.061	0.048	0.050

e) Assets Under Construction

During the year the Council completed £19.044million of the £29.280 million assets under construction at 31st March 2009. In addition to this, new capital projects begun but not finished during the year totalled £22.618 million. The total value of assets under construction at the end of the year was £32.853 million for which funding is provided in future capital programmes and the Future Capital Investment Reserve.

f) Fixed Assets

The value of fixed assets grew by 1.8% during the year to £1.113 billion including the addition of property and other related assets in respect of the Waste Disposal and Bromsgrove Schools PFI schemes that are now accounted for on the Council's balance sheet in accordance with International Financial Reporting Standards (IFRS).

New capital investment totalled £79.8 million, with £42.7 million spent on school projects, £27.5 million on local transport infrastructure and the remaining £9.6 million on other Council services.

To pay for this investment, the Council borrowed temporary and long-term £39.2 million, spent capital grants and contributions totalling £29.5 million, sold £5.9 million of assets no longer required, applied £4.5 million of its revenue budget and transferred £0.7 million from the Future Capital Investment Reserve.

g) External Borrowing

The Council's External Borrowing has decreased by £33.745 million to £235.385 million. The average rate of interest payable on long term borrowing was 4.47% for the year (4.46% 2008/09).

Audit Commission Ratio:			
• Long term borrowing to long term assets			
	2007/08	2008/09	2009/10
	£m	£m	£m
Long term borrowing	304.951	245.810	210.403
Long term assets	1,002.761	1,101.228	1,119.367
Ratio	0.304	0.223	0.188
• Borrowing as % of capital financial requirement			
	2007/08	2008/09	2009/10
	£m	£m	£m
Capital financing requirement	310.199	423.804	450.969
Borrowing	307.672	272.722	238.187
Ratio	0.992	0.644	0.528
• Long term borrowing to tax revenue			
	2007/08	2008/09	2009/10
	£m	£m	£m
Long term borrowing	304.951	245.810	210.403
Tax revenue	266.368	312.028	323.902
Ratio	1.145	0.788	0.650

The maturity profile of the external borrowing at 31st March 2010 was as follows:-

Within	£m	%
1 year	24.982	10.6
1 – 2 years	25.798	11.0
2 – 5 years	25.000	10.6
5 – 10 years	15.646	6.6
10 years and over	143.959	61.2
Total	235.385	100.0

h) 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 £0.180 million to £5.522 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.

i) Landfill Allowance Trading Scheme (LATS)

The County Council received a Landfill Allowance from DEFRA of 118,656 tonnes for 2009/10. A value of zero was placed on this allowance and the opening balance held at April 2009 to reflect the current market value of these allowances.

j) Liquidity

Liquidity can be measured by the ratio of current assets to current liabilities. The Council's current assets of £92.983 million are less than its current liabilities of £185.902 million with a ratio of 0.50:1, a decrease on last year's ratio of 0.74:1. This reflects the Council's treasury management policy to repay long term loans with a consequent reduction in short-term temporary investments.

Audit Commission Ratio			
• Working Capital	2007/08	2008/09	2009/10
	£m	£m	£m
Current assets	147.869	110.759	92.983
Current liabilities	95.267	149.153	185.902
Ratio	1.552	0.743	0.500

k) Debtors

Debtors have increased by £1.670 million over the year to £40.850 million. Trade debtors as a percentage of total debtors have decreased from 22% to 19% (£7.9 million). Other debtors relate mostly to other Local Authorities or Government Departments.

l) Provision for Bad and Doubtful Debts

The Council has retained a provision for bad and doubtful debts of £3.900 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 (£0.613 million). It also includes £3.287 million relating to council tax collection.

m) Investments

The Council deposits surplus cash with the Public Works Loans Board, typically for periods less than one year. These investments have decreased by £19.529 million to £51.778 million over the year.

The average rate earned on investments was 0.38% for the year (3.92% 2008/09).

n) Creditors

Creditors have increased by £34.523 million to £156.142 million. Trade creditors as a percentage of total creditors decreased from 18% to 12% (£18.455 million).

o) Provisions

Provisions of £0.204 million (£0.203 million 2008/09) 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 £0.382 million (£0.180 million 2008/09) is provided mainly for staff restructuring costs.

p) Pension Fund

The Pension Fund's actuary has calculated the County Council's share of the net pension fund liability to be £324.303 million, which is an increase of £70.611 million from last year.

Worcestershire County Council Pension Fund 2009/10 Financial Statements - Summary

The following summary includes the main highlights of the 2009/10 financial statements for the Pension Fund and key issues reflected in the accounts.

1. Highlights:-

- Increase in Net Assets of £445 million to £1.366 million
- Surplus for the year £35.627 million, a decrease of £8.909 million on last year
- 21,725 contributors to the fund
- 12,765 pensions paid
- Investment earnings fell by 14.1%
- 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.

2. Key issues reflected in the accounts:-

a) Net Assets up 48%

The value of the Pension Fund's Net Assets increased by 48% or £444.810 million to £1,365.668 million. The increase included £23.7million investment income together with an increase in the market value of investments of £409.2 million.

b) Surplus down by 20%

The surplus for the year totalled £35.627million, a decrease of 20% or £8.909 million from last year.

c) Investment Earnings down 14.1%

Net investment income fell by 14.1% or £3.884 million to £23.748 million from last year.

d) 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.