



**2017 /
2018**

Annual Financial Report and Statement of Accounts

Worcestershire County Council
and Worcestershire Pension Fund
Unaudited



Table of Contents

Table of Contents	2
Worcestershire County Council Annual Financial Report	4
Leader's Introduction	5
Chief Executive's Introduction	6
Chief Financial Officer's Narrative Report	7
Finance and Performance Review	8
Delivering the Corporate Plan	13
Performance	14
Looking ahead and going concern	21
Governance	24
Introduction to the Statutory Accounts	27
Feedback	28
Next steps and External audit	28
Statement of Responsibilities	29
Worcestershire County Council Annual Governance Statement	30
1. Introduction	31
2. The governance framework	31
3. Review of Effectiveness	37
4. Significant Governance Issues	38
5. Certification	40

Worcestershire County Council Statement of Accounts41

 Comprehensive Income and Expenditure Statement.....42

 Movement in Reserves Statement 2017/18.....43

 Balance Sheet45

 Cash Flow Statement.....46



Worcestershire County Council Annual Financial Report

Leader's Introduction

Last year we launched an ambitious plan, Shaping Worcestershire's Future, to ensure the area continues to thrive and the organisation continues to reform to deliver value for your money and focus on those things that you say are most important to you.

Shaping Worcestershire's Future identifies four key priorities:



As a result of our Corporate Plan 2017/18 enabled us to:

- Support some of the most vulnerable people in society. Delivering care to over 10,200 adults and 1,908 children, spending over £220 million (69% of our net budget)
- Improve the condition of our roads and pavements. We spent £13.4 million on maintaining our highways, filling over 27,000 potholes and resurfacing over 150 miles of road

- Investing in our infrastructure to grow the economy and tackle congestion. The capital programme included schemes such as Bromsgrove Station and the Southern Road Link as well as £3.5 million investing in key employment sites such as Malvern Hills Science Park and Worcester Six business park

We have now set a balanced budget for 2018/19, with further investment to meet these pressures, but I recognise that we will continue to need to make difficult choices, drive reform and lobby Government to ensure the new future funding formula better reflects our key drivers of cost.

I would like to put on record my thanks to our staff, councillors and our wider partners who worked so hard to secure this outcome. The Statement of Accounts show that we have a sound financial base on which to build and I am delighted to present these to you.

Simon Geraghty
Leader of Worcestershire
County Council
May 2018



Chief Executive's Introduction

I am delighted that the County Council achieved a balanced budget over 2017/18, with a small surplus of £188,000. This is a challenging time in local government with continuing reductions government funding, whilst at the same time facing greater demands on our services.

Despite that the County Council has again seen a successful year delivering not only its budget but improvements in performance. Highlights of the year include:

- Our spending on superfast broadband topped £7.5 million, meaning that now over 94% of the county is covered.
- 76% of working age adults in employment and a reduction in 16-24 year olds claiming job seekers allowance
- We are diverting more waste from landfill, with nearly 90% recovered, recycled or composted
- Improvements in the condition of principal and non-principal roads
- 3% of residents aged 65 or over receive a social care service, reflecting our aim to help older people to maintain their independence and live high quality lives
- 91% of people say that their social care services make them feel safe and secure
- 90% of our schools are judged as good or outstanding in their most recent Ofsted inspection.

We have continued to manage and take action to mitigate risks via our Corporate Risk Management Policy Statement and Strategy, with key areas of activity focusing on:

- Improvement in our Children's Services;
- Embedding our HR and Finance systems; and
- Managing the large increases in demand for special education needs and disabilities (SEND) services.

We have worked effectively with our partners to deliver improvements in areas such as health. This saw Delayed Transfers in Care fall by 1,146 days when comparing March 2017 with March 2018.

We are not resting on our laurels though; we have already set and started to deliver over £30 million of savings in the 2018/19 budget. We know that going forward into the next decade we face more funding pressures and a period of significant financial uncertainty and we are still awaiting reforms to government funding. That is why we need to ensure that we have a strong hold over our money, and I am pleased that the Statement of Accounts reflects both a robust base and a drive to openness so that we can engage our residents and business around how we can move forward together.

Paul Robinson
Chief Executive
May 2018



Chief Financial Officer's Narrative Report

Worcestershire is a County with a proud heritage. Home to over half a million people, with a mix of urban and rural communities and a thriving economy. The County Council, like its peers and public sector partners, has had to deal with a significant increase in demand and cost of our services, in particular care. Through good financial management the County Council continues to set and deliver a balanced budget, whilst also improving its performance in key areas.

Looking back on 2017/18 the County Council has had another successful year financially. The revised budget of £318.5 million included plans to deliver savings of £21.3 million. The outturn shows that we have delivered an underspend of £0.188 million, with the position by directorate given below:

Service area	Budget £m	Outturn £m	Variance £m
Adult Services	130.436	132.348	1.912
Children, Families & Communities	82.482	90.804	8.322
Economy & Infrastructure	66.738	62.742	(3.996)
Commercial & Change	43.924	37.556	(6.368)
Public Health	0.083	0.025	(0.058)
Planned use of reserves (Feb 2017)	(5.185)	(5.185)	0
Total	318.478	318.290	(0.188)

This has been achieved in a challenging environment of increasing demand and costs.

Key financial targets have improved, including:

- Debts were collected within an average of 35 days, compared with 41 in 2016/17
- 98% of our debt was collected within 90 days, compared to 94% in 2016/17
- 98% of our creditors were paid within 30 days of invoice date, compared to our target of 95% and our 2016/17 performance of 94%

Finance staff worked closely with Liberata and Grant Thornton to improve performance and the close down process and produce the set of accounts more quickly, and I express my thanks for their hard work.

As the financial pressures facing councils' increases, we will continue to put financial strength and competence at the heart of all decision making to deliver an innovative, strong, resilient and sustainable financial performance.

I recognise this set of accounts contains complicated technical information, so the remainder of this narrative highlights some of the key outcomes contained in the 2017/18 Statement of Accounts.



**Michael Hudson LLB (Hons), LL.M,
CPFA**
Chief Financial Officer
May 2018



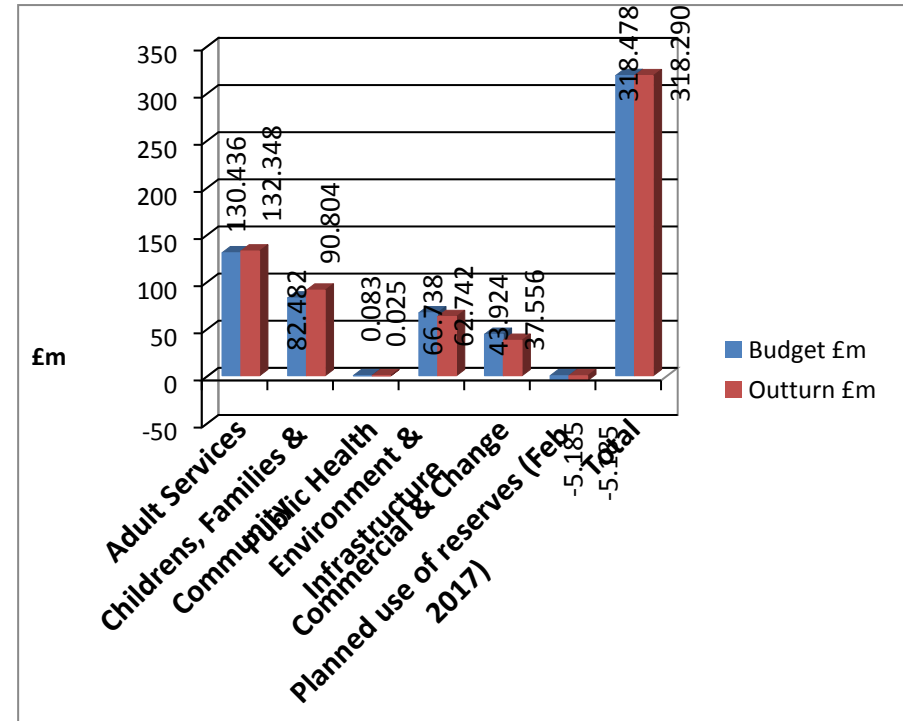
Finance and Performance Review

Overall Financial Outturn

The County Council net budget for 2017/18 was £318.5 million. Against this the Accounts reports a small underspend of £0.188 million. This has been achieved after a challenging year where we again saw more reductions in Central Government funding but an increase in demand for and cost of local services.

During the year we took regular monitoring reports to senior management and Cabinet. These reports identified the need to take action in year to deliver a balanced budget, and as a result of those actions spending has been managed prudently to enable that position to be achieved.

There are some areas of service delivery though that continue to face financial pressures, and other service area underspends along with a planned use of resources has enabled the overall position to be just underspent as a whole Council:



The following pages set out how this financial outturn links to performance and demand. In addition, in setting the 2018/19 Budget Council took account of these forecasts and its Business Plan to reprioritise funding to some of the areas facing the largest pressures, including allocating £10.5 million to the Children Social Care budget to address the overspend in that area in 2017/18.

Impact on the Council's Assets and Liabilities

The County Council's Balance Sheet shows a generally stable position; the largest change is due to a decrease in the County Council's pension liabilities. The Pension Fund is balanced and we will keep this under review. More detail about key movements is given below. The key elements of the balance sheet are as follows:

	31 March 2018	31 March 2017
	£m	£m
Long Term Assets	1,141.8	1,064.9
Current Assets	100.3	99.8
Current :Liabilities	(157.2)	(149.1)
Net Pension Liability	(363.0)	(449.3)
Other long Term liabilities	(571.1)	(518.6)
Net Assets	150.8	47.7
Financed by		
Usable Reserves	136.3	147.4
Unusable Reserves	14.5	(99.7)
Total Reserves	150.8	47.7

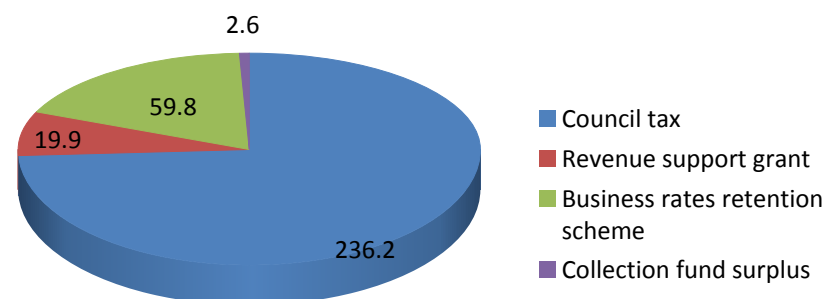
The County Council's net pension liability reduction is in part due to an upfront payment of £70.2 million to cover three years of employer contributions (2017/18 to 2019/20). This enables the

Pension Fund to invest the future contributions and pass on an average saving of 6.24% to the County Council. This was funded by borrowing. The impact of this transaction is given in notes 28 Defined Benefit Pension Schemes and 20 Financial Instruments Borrowing

20 County Council maintained schools converted to academy status in 2017/18 which resulted in a reduction to the County Council's long term assets of £26.7 million.

Sources of finance

The County Council received £318.5 million of core funding in 2017/18, the sources of which are given in the chart below (£m).



Income from Council Tax will gradually fund a greater proportion of the County Council's budget in the future and is influenced by growth in numbers of domestic properties, local decision making in the level of increase and Central Government decisions with regard to the level of increase allowed without the need for a referendum. A total increase of 2.94% was applied in 2017/18 which reflects:

- 0.94% to provide financial support for the delivery of outcomes in line with the Corporate Plan, resident and business communities' priorities
- 2% Adult Social Care Precept, for Adult Social Care services in order to contribute to existing cost pressures.

In addition to our core funding we also receive a range of specific revenue grants from Central Government spending departments. In 2017/18 these included:

- Adult Social Care Support Grant £2.4 million. This grant supports Adult Social Care services and was used to support the delivery of planned service reforms.
- Dedicated Schools Grant (DSG) £209.8 million. This funding is used to provide educational services via our schools and settings. There was an overall increase due to additional pupil numbers and Early Years funding.
- Public Health Ring-fenced Grant £29.9 million. This grant is reducing year on year in line with Public Health England target funding.

Financial risks

- The deficit on the pension liability, which relates to the current actuarial valuation, has reduced significantly. Whilst this is encouraging there is a need to manage and maintain this position. The Pension Committee is thus taking actions with its advisors to manage this and received regular updates on its assets and liabilities. The next full actuarial valuation is 31 March 2019.
- The County Council seeks to manage its financial risk through prudent controls, with business case assessments, always assessing the value of its assets and investments.

General Fund and Usable Reserves

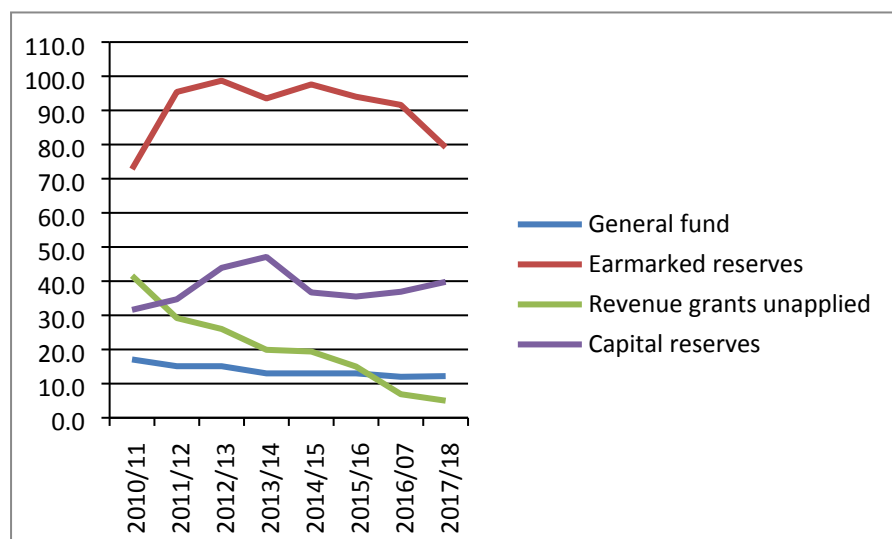
Usable reserves represent money available to support delivery of our service objectives whilst unusable reserves usually represent accounting activities rather than cash. The County Council maintains usable reserves in order to plan for both known and unknown future expenditure requirements, and the Chief Financial Officer is responsible for ensuring that the level held is adequate.

Usable reserves are categorised as:

- General balances – a contingency sum available to pay for unforeseen or exceptional activities
- Earmarked reserves – retained under delegated authority by Chief Officers and head teachers to support specific activities

- Revenue grants unapplied – unspent grant income.

Our usable reserves position at 31 March 2018 was £136.3 million, which reflects the need to utilise reserves to support service activity to a greater extent than has previously been required. The graph below shows the movement in the General Fund and usable reserves position since 2010/11 (£m).



Overall the outturn has meant that the County Council's General Fund reserve is £12.2 million. Over the last five years this has remained constant, with only £1 million drawn down to support the replacement of Eastham Bridge in 2016/17.

Capital Programme

The County Council's 2017/18 programme saw £116 million committed to deliver a wide range of capital works, including:

- £2 million Town Centre Improvements across priority schemes in Malvern, Kidderminster, Droitwich and Redditch
- £6 million Capital Investment Fund to support investment into Footpaths and Pavements
- Over £7.5 million of capital spend has been on improvements in superfast broadband with now 94% of the County able to receive this.

In addition, the County Council, working with the Local Enterprise Partnership (LEP), has secured £4.8 million to be one of the country's first pilot areas for the next generation of mobile technology, 5G.



The Revolving Investment Fund continues to be used to generate income through investment in assets around Worcestershire, including rail stations, business parks and the Energy from Waste facility. This income is then recycled into further economic development to enable both future investment and to support the

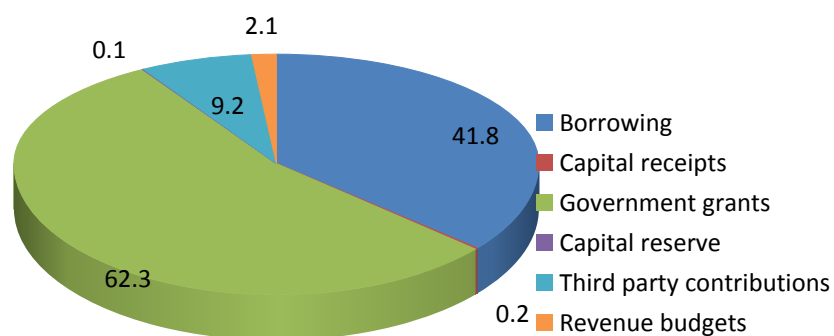


delivery of key priorities.



Note 19.5 Non-operational assets identifies that we expect £6.1 million of receipts for the assets held for sale. These sales will continue the County Council's intention to build more care and support provision, such as supported living for people with profound and multiple learning disabilities at Ledwych Road (the old Kingsfields Day Centre, Droitwich).

Capital schemes are funded from the following sources (£m):



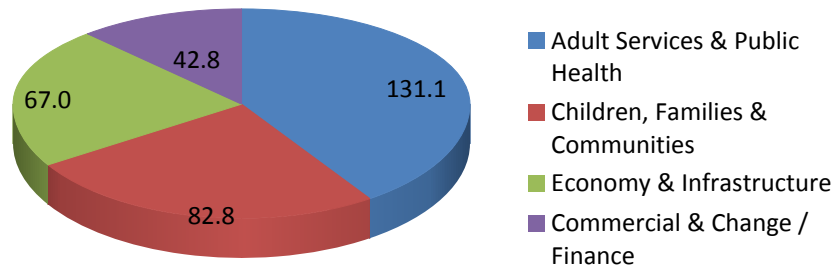
At the end of 2017/18 the County Council has £443.8 million of outstanding borrowing. That is £80.6 million more than 31 March 2017, mainly as a result of a decision to gain revenue savings arising from the prepayment of pension contributions. The County Council will continue to review its Treasury Management strategy and manage risk to ensure that it maintains a prudent approach to managing its long term debt.

Impact on Treasury Management and cash flow

The County Council has an internal Treasury Management team that manages its cash within the strategy approved by Full Council. The Treasury Strategy was adhered to in 2017/18; the average long term borrowing rate was 3.1% and the return on short term investments was 0.3%.

Delivering the Corporate Plan

Each directorate has an allocated budget to support delivery of its service outcomes. The 2017/18 original allocations were (£m):



The service budgets reflect ongoing budget requirements, inflationary increases and growth allocated to support our core priorities.

Open for Business

We have worked with partners to secure significant investment in a number of infrastructure schemes, including Worcester A4440 Southern Link Road, Kidderminster Hoobrook Link Road, Worcestershire Parkway Regional Interchange railway station, Bromsgrove Railway Station

relocation, Worcester Six development and Malvern Hills Science Park.

Children & Families

The Children's Social Care budget has been strengthened to support recommendations from the Local Safeguarding Children's Board, and to support the Children's Services Social Work Improvement Plan, specifically to strengthen social work recruitment and retention as part of our workforce strategy, provide additional support for children in care and care leavers and increase social work and management capacity. Investment has also been identified for the Special Education Needs and Disability transport service, due to additional demand and the impact of national age range increases.

The Environment

There has been investment in the Road Maintenance budget to support our aim of upper quartile performance. One off investment has also been made to support improving pavements, reduce congestion and to continue supporting Town Centre improvements.

Health & Wellbeing

The Adult Social Care budget has been managed proactively in response to demographic growth and the increasing complexity of supporting vulnerable older people and adults with disabilities.

Performance

Performance is monitored regularly and progress published in reports known as Balanced Scorecards. The Balanced Scorecard is made up of a hierarchy of scorecards corresponding to the internal organisational structure, with a corporate level report and one for each directorate. The scorecard is themed in line with our Corporate Plan areas of focus and also reflects an organisational perspective.



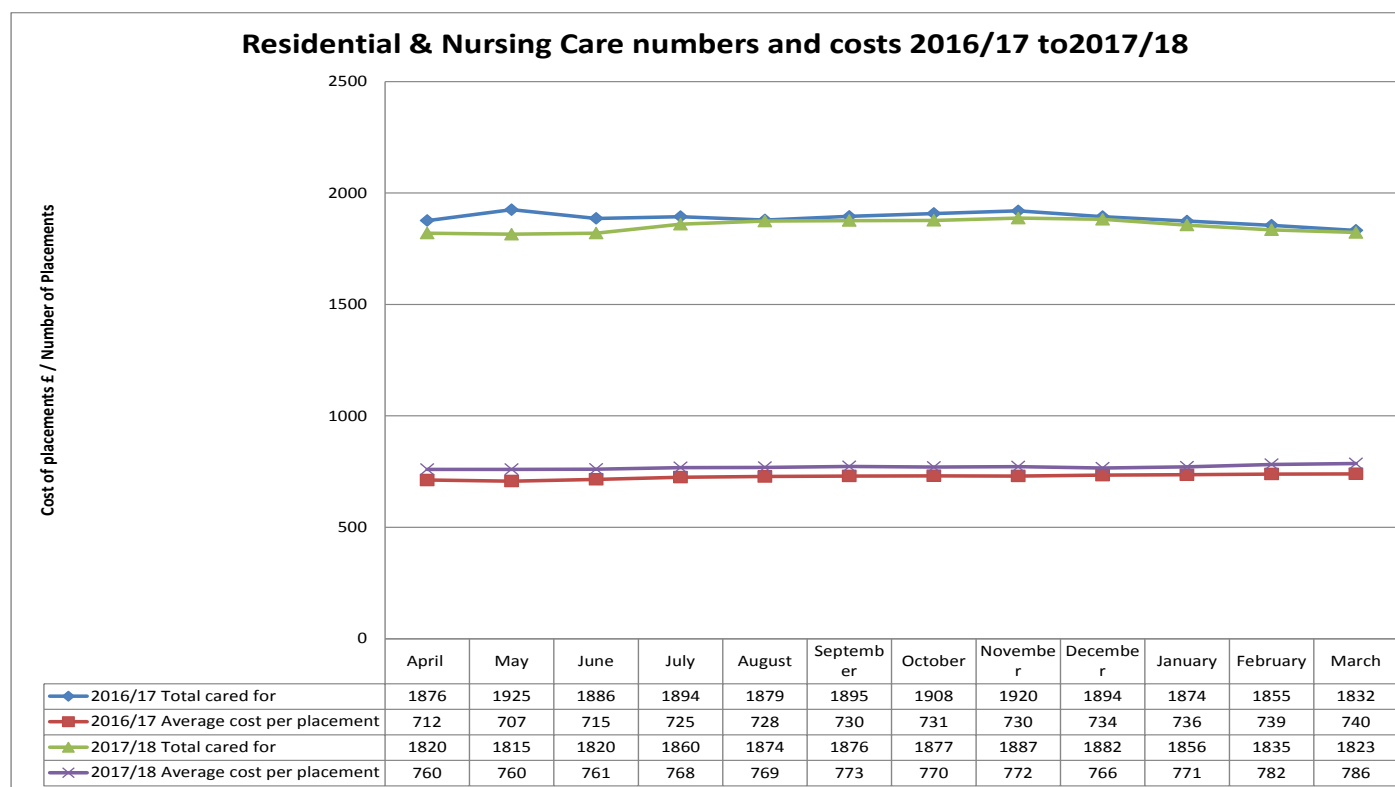
Adult Services

2017/18 saw a net budget of £130.5 million (40% of the County Council's overall net spend). During the financial year the service supported over 10,200 adults.

The outturn identifies that the service was slightly overspent at year end. This position was reported during 2017/18 and relates

to an increase in cost of care, especially in high need services such as Learning Disabilities.

A focus on the transformational preventative measures has though meant we have managed demand effectively to keep close to budget. Residential and nursing care placements have remained broadly the same as 2017/18, although the cost of that care has slightly risen.



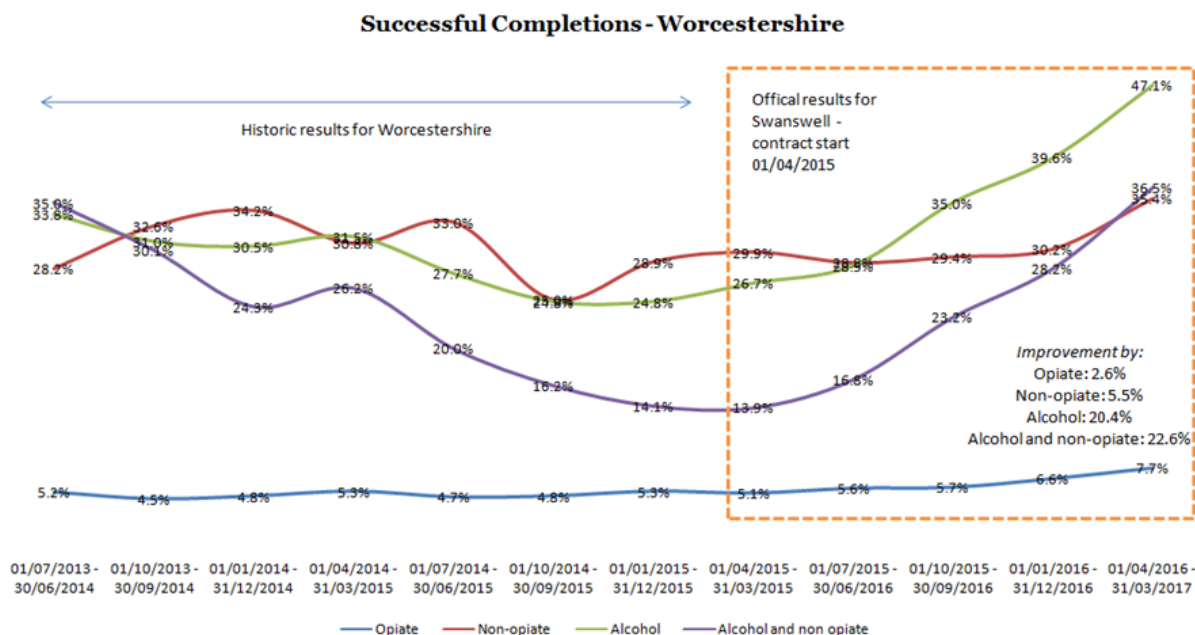
Public Health

Several key public health services were delivered within reduced budgets in 2017/18 and we have monitored these contracts closely to ensure that residents have continued to receive safe services which deliver the County Council's public health duties.

By working closely with providers on service redesign we can report that performance in these areas has been maintained or improved, despite a reduction in spend, and we continue to have above average outcomes in many areas.

For example, the main contract value for integrated substance misuse services for 2017/18 was £3.8 million (excluding Payment by Results payments of £0.1 million). We work collaboratively across the system and £0.1 million was also contributed by the Office of the Police and Crime Commissioner. This service delivered strong improvements in successful completions in 2016/17 for opiate, non-opiate and alcohol indicators (table below). In 2017/18 the service has delivered further improvements and we can now report it is in the top quartile of performance in England for successful opiate completions.

We spent £4.0 million on sexual health services in 2017/18. Over 7,500 attendances were made to sexual health clinics by Worcestershire residents during Q1-Q3 2017/18 and 99% of people contacting a sexual health provider for a genitourinary medicine service were offered an STI screen appointment or walk-in within 48 hours. 24% of new attendances were diagnosed with an STI and treated and 3,463 women (36%) accessing emergency contraception were offered long acting reversible contraceptives. In June we launched a new online sexual health infection testing service. This provided 2,231 testing kits to Worcestershire residents, of which 70.3% were returned, and 90.9% of results were reported back within 48 hours.



Children, Families and Communities

In Children's social care, following the Ofsted inspection, we have experienced additional social care demand for placements which has resulted in spend above budget by £7.6 million.

As the following graph shows the County Council has experienced a sharp rise in both the number of social care placements and the cost per week of those placements giving rise to the increased costs. The cost is largely due to the high cost of residential care in and out of County.

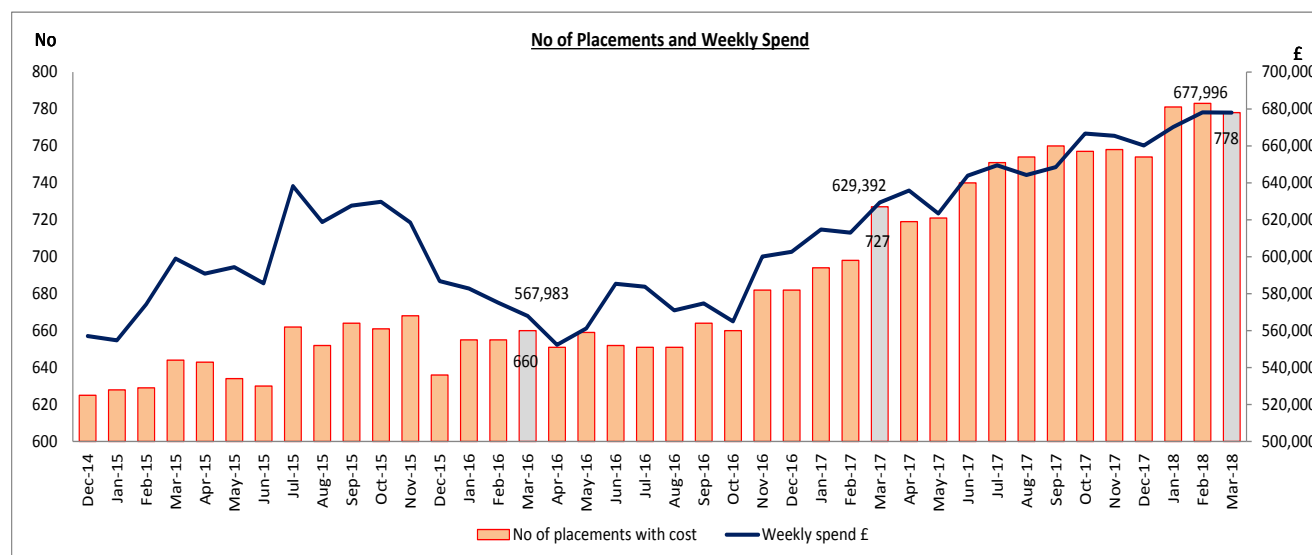
At the same time the County Council has needed to increase its workforce to manage the additional demand and case load per social care worker. Whilst good progress is being made with this goal, in 2017/18 there was an overspend of £0.6 million on agency staff.

These areas of pressure have been reported throughout 2017/18 and the budget setting for 2018/19 has invested an additional £10.5 million into these areas.

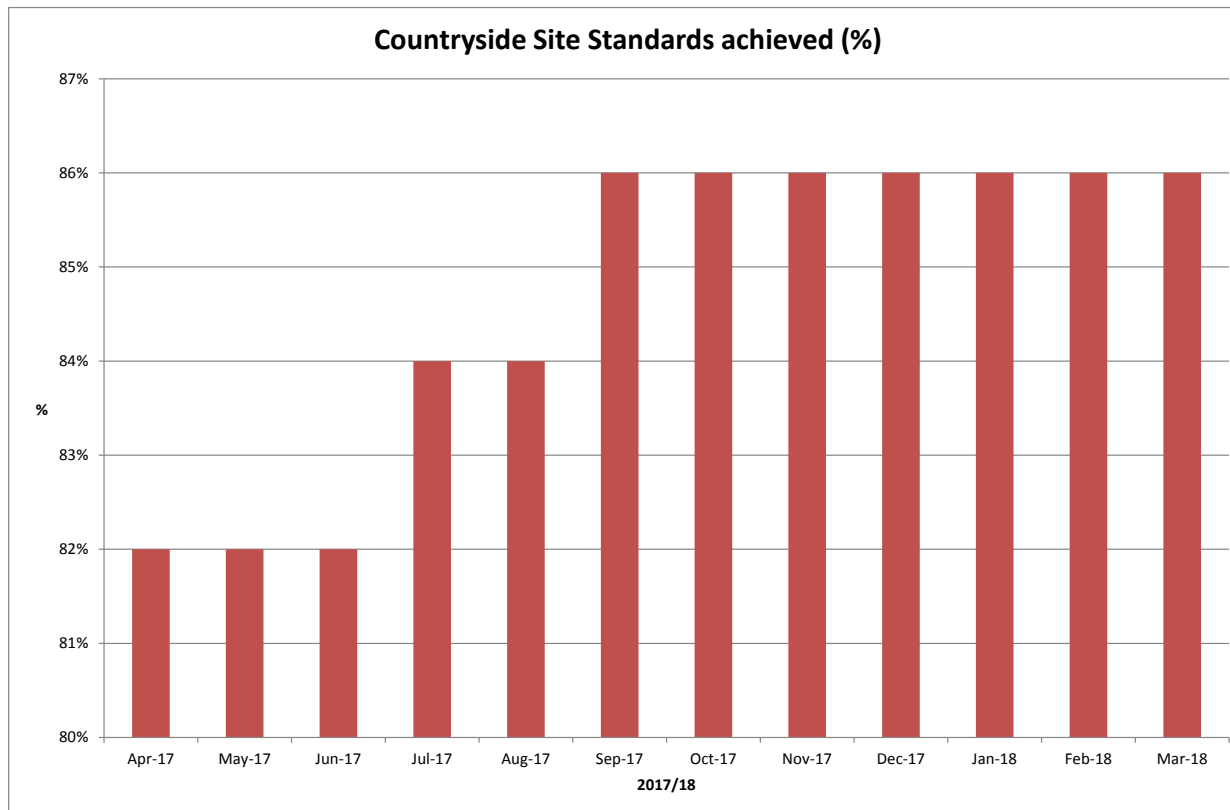
Social work recruitment, encouraging more people to become foster carers and maintaining children in the wider family environment where it is safe to do so continue to be priorities for the County Council.

The County Council continues to work with the Children's Commissioner, our improvement partner and the Department for Education to improve Children's Services.

Demand increases have also been seen for children with Special Educational Needs and Disabilities (SEND). The financial impact of this is being seen not only in the cost of their placements which is funded through the DSG but also relating to transportation costs.



The locally agreed standards for countryside (including health and safety issues, cleanliness, presence of litter, signs and notices, trails and suitability of play areas) have again increased.



Economy and Infrastructure

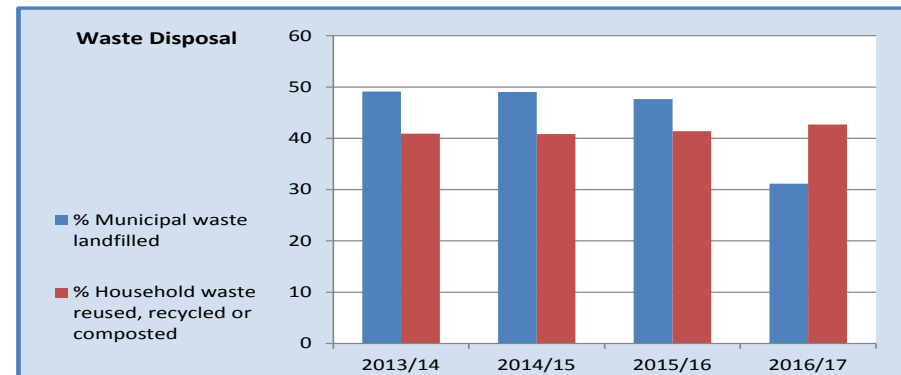
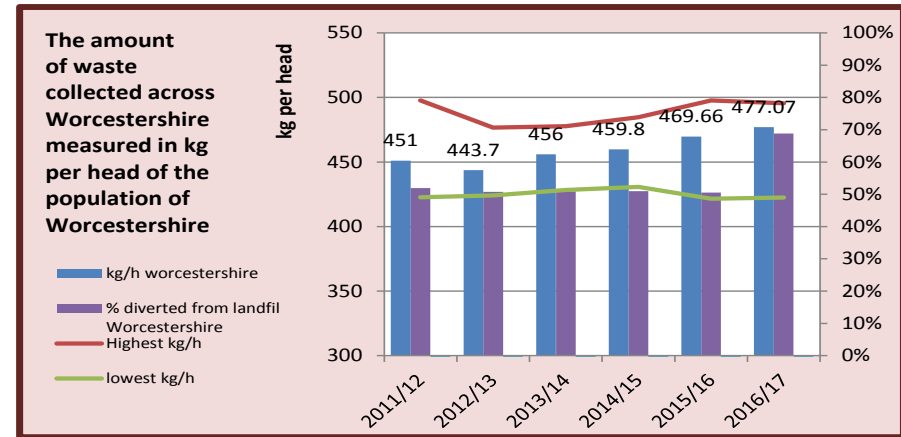
Services supporting local communities, environment, waste disposal and highways also faced pressures in 2017/18 but broadly broke even, and after capitalisation and applying government grants returned a surplus.

There has been a focus on ensuring potholes reported are fixed on time.

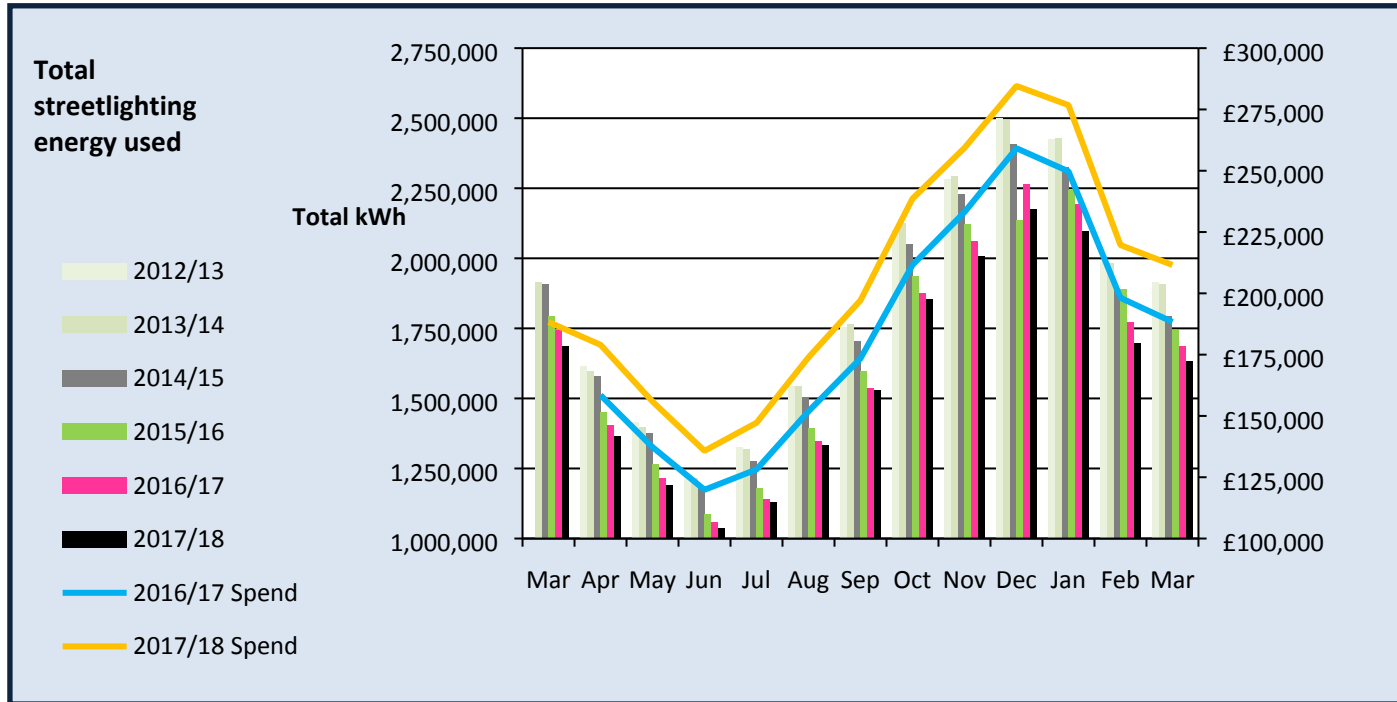
We spent £13.4 million on maintaining our highways, filling over 27,000 potholes and resurfacing over 150 miles of road

We invested over £84 million of our capital programme to improving our transport network, on schemes such as Bromsgrove Station and the Southern Link Road. As well as £3.5 million investing in employment through sites such as Malvern Hills Science Park and Worcester Six business parks

We spend £30 million per annum disposing of the County's waste. In 2017/18 waste disposal services reported a small overspend, reflecting a rise in the amount of waste collected and an increase in the tonnage of waste recycled and diverted from landfill.



Street lighting continues to be a significant cost to the County Council, with various cost saving initiatives in progress to mitigate the rising unit costs and usage, we have started to see reduced usage, although unit costs continue to increase due to the price rises.



Commercial and Change

The corporate support services, such as IT, HR, legal and finance, delivered a small underspend. This was planned to address some of the pressures forecast in year.

Looking ahead and going concern

Funding

The County Council has a Medium Term Financial Plan (MTFP) which considers funding and expenditure over a 3 year period, and updated annually as part of the budget process. The 2018/19 MTFP was approved at February Council and reflects financial challenges including changes to our funding profile.

£m	2018/19	2019/20	2020/21
Total funding available	324.2	327.1	338.1
Less service costs based on 2018/19 budget	355.8	346.7	352.1
Sub-total	31.6	19.6	14.0
Reform plans developed	31.6	8.1	2.2
Funding Gap	0	11.5	11.8

Service costs have been developed in line with continued delivery of our priorities and objectives. The following factors have also been considered:

- Demographic growth and demand pressures. A number of our budgets are demand led and projections reflect current forecasts in demographic growth, volumes of waste disposed of and the related impact of service provision.
- Adult Services future cost pressures, including:

- Increasing numbers of people eligible for social care and growing complexity in the level of care required
- Recruitment challenges, particularly for nursing care within care home providers
- Cost pressures across our contracts, including the national living wage and sleep in payments
- An increase in the number of older care recipients who have previously self-funded their care but no longer have sufficient income to do this.
- Children's Services Safeguarding Improvement and Financial Recovery Plans. Additional resource has been allocated to support the growing number of looked after children and the increased complexity of care required.
- Alternative Delivery Model for Children's Services. Following the outcome of Ofsted inspections, we are looking at alternative ways of delivering Children's Social Care through a wholly owned company, as agreed by Cabinet in March 2018. The transition to, and operation of, this new model may mean additional costs.
- Forecast rates for inflation, including pay increases for staff, reflecting the impact of National Living Wage increases and other factors.

The MTFP reflects changes to Central Government funding streams, and the known income projections:

- Council tax increases of 2.94% in 2019/20 and 1.94% in 2020/21. These increases will be finalised as part of the annual budget process
- Increases in council tax yield of around 1% per year due to forecast growth in house-building
- A reduction in Revenue Support Grant to zero in 2019/20 in line with Central Government notification

- Planning assumptions around the level of Better Care Funding which will be available to support existing services.
- The Business Rates Retention Scheme reflects the transfer of the 50% share of risk of negative changes in existing business rates from Central Government to local authorities and our ability to keep up to 50% of local growth.

Work continues to confirm future reform plans as part of our Corporate Strategic Planning process to address the cumulative underlying funding gap.

Spending plans

Our key spending plans continue to reflect the County Council's core priorities as stated in the Corporate Plan and informed by consultation with residents, businesses and partners. Key investments for 2018/19 include:

Open for Business

Significant capital investment is planned to deliver the Worcester Southern Link Road Phase 4, Pershore Northern Link and Infrastructure, Bromsgrove Town Centre Network and Worcester City Centre Network Efficiency, alongside continuing to support our economic game changer sites.

Children & Families

A further £10.5 million has been allocated to support the growing number of looked after children and the increased complexity of need within the care system. This investment is consistent with the challenges facing a number of local authorities following the County Council's Ofsted review and judgement.

Health & Wellbeing

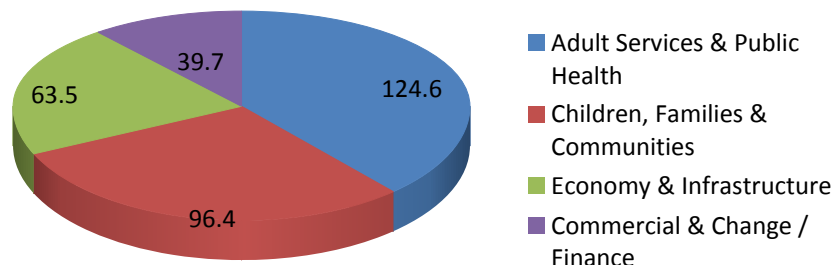
Investment of £7.8 million has been made to the Adult Social Care budget in response to the demographic growth and increasing complexity of supporting vulnerable older people and adults with disabilities, support for social care assessments in response to Deprivation of Liberty Standards and the likely impact of inflation.

The Environment

We are establishing a capital Highways Investment Fund of £37.5 million providing flexibility across a three year period to support the delivery of transport infrastructure priorities, investment in roads and pavements and improving journey times.

In setting the 2018/19 Budget we have reviewed the 2017/18 forecast outturn position and our Business Plan to reprioritise funding to some of the areas facing the largest pressures, including £10.5 million to support the growing number of looked after children and the increased complexity of need within the care system and £7.8 million invested in Adult Social Care in response to the demographic growth and increasing complexity of supporting vulnerable older people and adults with disabilities, support for social care assessments in response to Deprivation of Liberty Standards and the likely impact of inflation. This growth forms part of the final allocation alongside inflationary increases and savings plans.

Service budgets for 2018/19 are as follows (£m):



Financial Sustainability

Whilst it is important to recognise that the County Council is managed on a going concern basis, with statutory protection and local tax raising powers, there are a number of financial risks around central government funding and local demand for services. There are also opportunities through being able to keep more of the business rates locally that are generated in Worcestershire.

In February 2018 the County Council set a robust and balanced budget for 2018/19 without the need to withdraw significantly from reserves to fund recurring expenditure. This assessment

was made in the knowledge that there are managed risks regarding demand and inflation, particularly around Children's Social Care and unforeseen risks such as flooding.

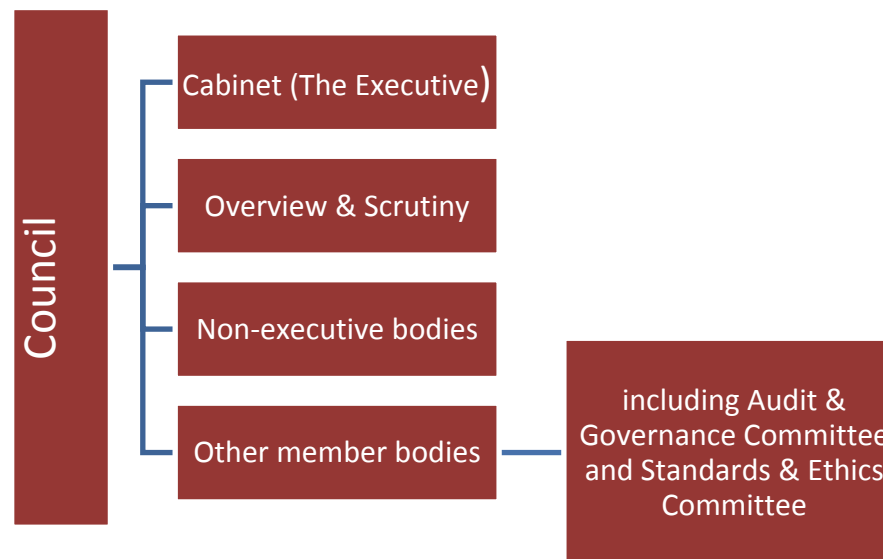
The Medium Term Financial Plan, approved by Council in February 2018, covers the period to 2020/21 and whilst it reports a financial planning gap of £65.2 million, the County Council has plans in place to deliver £41.9 million of savings. Plans to achieve the remaining £23.3 million savings will be worked on through 2018 as part of the 2019/20 budget process.

Taking all this into account the County Council's financial sustainability is robust and backed by earmarked reserves and general balances.

Governance

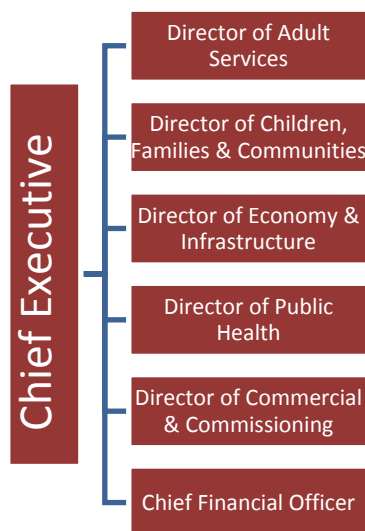
The County Council is run by 57 elected Councillors who are responsible for making sure that the services we provide meet the needs of residents and those who work in the county. They do this by setting the overall policies and strategies for the County Council and by monitoring the way in which these are implemented.

Full Council meetings are held regularly throughout the year. Council is responsible for agreeing the main policies and priorities for all services, including the County Council's budget. Cabinet is responsible for most day to day Council decisions. The Leader of the Council, Simon Geraghty, appoints councillors to the Cabinet and these Cabinet members have specific areas of responsibility. There are currently ten members of Cabinet. Cabinet makes its decisions in line with overall policies, priorities and budget. All of its decisions are made in accordance with governance arrangements and details of Cabinet meetings are available at the following: [Browse meetings - Cabinet - Worcestershire County Council](#) The work of Council is supported by a number of other committees:



Further information about the County Council's governance arrangements can be found on the County Council website www.worcestershire.gov.uk., in the Council, Democracy and Councillor Information section.

The County Council is operationally managed by the Strategic Leadership Team, comprising the Chief Executive, directors from the 5 directorates and the Chief Financial Officer.



During 2017/18 there were several changes to the County Council's senior management following a number of officers securing other roles. As such at the start of 2018 the County Council recruited a new Chief Executive, Chief Financial Officer and Director of Commercial and Commissioning; as well as appointing a Director of Adult Services on a 12 month contract.

In line with public sector reporting requirements, the Statement of Accounts sets out the remuneration for all officers earning over £50,000, including teachers in maintained schools, in note 9.1. The remuneration for the County Council's senior management team in 2017/18 is set out in note 9.2.

Risk management and Governance

The County Council monitors and reports its risks throughout the year, as well as producing an Annual Governance Statement

within the Accounts. The key risks considered and managed throughout 2017/18 were regularly reported to the Audit and Governance Committee. These included:

1. **Sustainable Improvement in Children's Services** – a Service Improvement Plan was put in place in early 2017 and has been regularly monitored and reviewed since then. Progress has been recognised in a series of Ofsted monitoring visits. There is now an agreement to establish an Alternative Delivery Model (ADM) from April 2019, and this risk will continue to be a high priority and managed risk in 2018/19.
2. **Home to School Transport** – work took place to review the reporting and monitoring of activity information to ensure that it was as robust as possible. As a result of this work the level of financial risk was reduced. This no longer remains a governance issue.
3. **Migration of Human Resources and Finance Systems** – there were a number of issues with the migration to the new HR and Finance systems. Recovery plans were put in place and the position improved significantly during the course of the year. An independent review was carried out by the Society of IT Managers (SOCITM) who made several recommendations. There remain some residual issues which are impacting on business of the County Council and which will be worked on through 2018/19.
4. **Ensuring delivery of the County Council's vision and corporate objectives, in line with the Medium Term Financial Plan** – the County Council has set a balanced budget for 2018/19. The delivery savings within this plan will continue to be a focus in 2018/19.

The Annual Governance Statement (AGS) looks out how we:

1. Behave with integrity, demonstrating strong commitment to ethical values, and representing the rule of law
2. Ensure Openness, Transparency and Comprehensive Stakeholder Engagement – delivering Accountability
3. Define Outcomes in terms of Sustainable Economic, Social and Environmental Benefits
4. Determine the Interventions necessary to optimise the achievement of intended outcomes
5. Develop capacity, including the capacity of the County Council's leadership and the individuals within it
6. Manage risks and performance through robust internal controls and strong public financial management.

The Statement identifies that overall the County Council is well governed. The County Council's Internal Auditors gave an "adequate" opinion to cover our control environment, with no significant matters raised. The AGS identifies a number of areas for improvement, including the review of the inter-relationship between key policies to improve clarity of processes around areas such as anti-fraud and corruption, whistle blowing and registering gifts and interests.

Introduction to the Statutory Accounts

The Statutory Accounts presents Worcestershire County Council's (the County Council) and Worcestershire County Council Pension Fund's (the Pension Fund) financial position in line with financial reporting requirements. The accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code) and the Accounts and Audit Regulations 2015. The main objective of the Code is to give a true and fair view of the financial position of the County Council and the Pension Fund, including information about financial position, performance, the results of stewardship of management and any risks and uncertainties.

The main sections of the County Council's accounts are:

Statement of Responsibilities

This details the respective responsibilities of the County Council and the Chief Financial Officer in respect of the preparation of the Statement of Accounts and confirms that the Accounts give a true and fair view of the financial position of the County Council.

The Annual Governance Statement

This summarises the systems, processes, cultures and values by which we direct and control the activities of the County Council and any weaknesses or gaps in governance with related action plans.

Comprehensive Income and Expenditure Statement

This statement shows the accounting costs in year of providing services by the County Council. This is prepared in accordance with International Financial Reporting Standards (IFRS) rather than the amount to be funded from taxation. The taxation position is shown in the Movement in Reserves Statement. The Expenditure and Funding Analysis note reconciles the position between taxation related expenditure and accounting related transactions. The surplus or deficit on the provision of services shows the true economic cost of providing the County Council's services.

Balance Sheet

This shows the value of the assets and liabilities of the County Council, with the net assets matched by the reserves held. Reserves are categorised as usable, i.e. those the County Council can use to provide services, and unusable, i.e. those which cannot be used to provide services.

Cash Flow Statement

This shows the change in cash and cash equivalents of the County Council, and classifies the cash as operating, investing and financing activities. The amount of net cash arising from operating activities is a key indicator of the extent to which the operations of the County Council are funded by way of taxation, grant income and fees and charges.

Movement in Reserves Statement

This shows the movement on the different reserves held, analysed into usable and unusable reserves. The net increase / decrease before transfers to / from earmarked reserves shows the statutory General Fund balance before any discretionary transfers are undertaken.

Notes to the Accounts

These give further detail in support of the information provided in the main accounts. Notes are only provided where the amounts involved are considered to be material. The notes include the accounting policies statement which explains the accounting basis for the figures included in the accounts.

Glossary

This gives an explanation of key technical language used in the County Council and Pension Fund Accounts.

Feedback

We are always seeking to improve our Statement of Accounts, and view our residents and businesses as shareholders. We therefore want to actively engage with the residents and businesses of Worcestershire who provide our funding. If you have any feedback on any items in the Accounts or ideas on how we can improve the presentation, please contact us at FinancialQueries@worcestershire.gov.uk. We welcome your comments.

Next steps and External audit

The next step is for the Statement of Accounts to be subject to external audit by Grant Thornton, our appointed auditors. Members of the public can ask questions of our auditors between 18 May 2018 and 29 June 2018 by contacting Grant Thornton care of:

John Gregory
Director
Grant Thornton UK LLP
0121 212 4000
john.gregory@uk.gt.com

The inspection notice and draft statement of accounts can be found on our webpage:

[Audit of Accounts - Notice of Public Rights | Worcestershire County Council](#)

Statement of Responsibilities

This sets out the respective responsibilities of the County Council and the Chief Financial Officer in respect of preparation of the Statement of Accounts.

The Council 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 County Council, that officer is the Chief Financial Officer;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

Responsibilities of the Chief Financial Officer

The Chief Financial Officer is responsible for the preparation of the County Council'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 (the Code).

In preparing this Statement of Accounts, the Chief Financial Officer has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent; and

- Complied with the Code of Practice on Local Authority Accounting

The Chief Financial Officer has also:

- Kept proper accounting records which were up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Approval of Accounts

The date that the Statement of Accounts was approved is 18 May 2018. All known material events that have occurred up to and including this date which relate to 2017/18 or before have been reflected in the accounts.

In accordance with Regulation 9(1) of the Accounts and Audit Regulations 2016 I certify that the Statement of Accounts 2017/18 provides a true and fair view of the financial position of the County Council at 31 March 2018 and its income and expenditure for the year 2017/18.

Michael Hudson, Chief Financial Officer

In accordance with Regulation 9(2) b of the Accounts and Audit Regulations 2016 I certify that the Audit & Governance Committee approved the Statement of Accounts 2017/18 on tbc.

Nathan Desmond, Chairman of the Audit & Governance Committee



Worcestershire County Council Annual Governance Statement

1. Introduction

Worcestershire County Council provides key services to over half a million residents, and our role is to improve Worcestershire as a place and help people to find the solutions they require to the problems they face. We are responsible for ensuring that our business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.

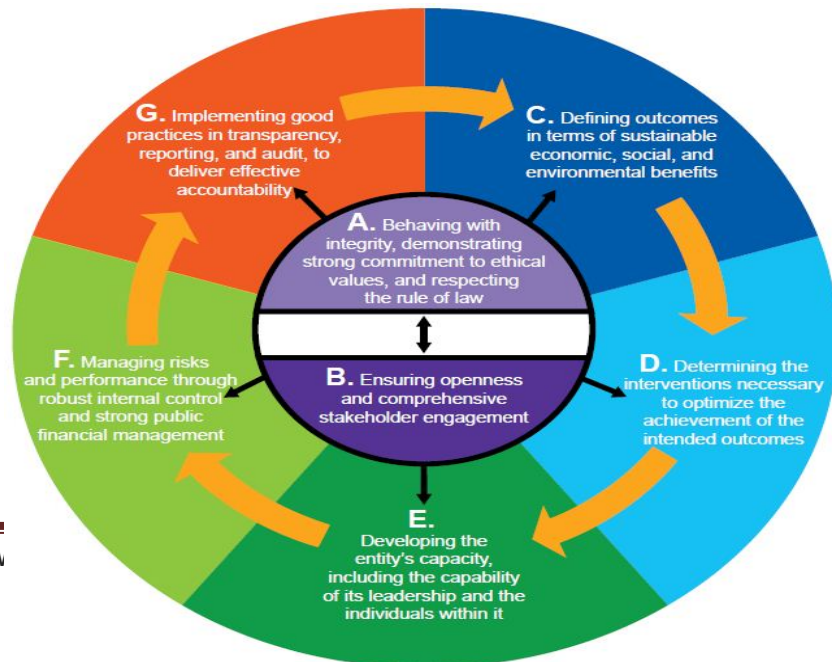
Each year the County Council reviews its governance arrangements and we publish an Annual Governance Statement, in accordance with the CIPFA/SoLACE Delivering Good Governance in Local Government Framework (2016) (The Framework). This review gives assurance that:

- ▶ our business is conducted in accordance with all relevant laws and regulations
- ▶ public money is safeguarded and properly accounted for
- ▶ resources are used economically, efficiently and effectively to achieve agreed priorities which benefit local people.

2. The governance framework

The CIPFA/SoLACE governance framework comprises systems and processes for the direction and control of the County Council and its activities through which it accounts to, engages with and leads the community. It enables us to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

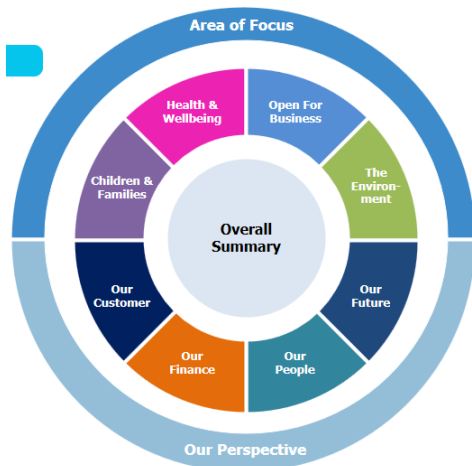
Figure 1 CIPFA's principles of good governance in the public sector



The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of

effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the County Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised, and to manage them efficiently, effectively and economically.

The County Council has approved the requirements of the CIPFA/SoLACE Delivering Good Governance in Local Government Framework 2016, and a number of specific strategies and processes for strengthening corporate governance such as the Balanced Scorecard.



Our Balanced Scorecard is used to show the relationship between the intended outcomes of the Corporate Plan - Shaping Worcestershire's Future with the vital finance, workforce and process measures that support their delivery. The Balanced Scorecard is available to the public via the County Council's website to improve accountability to local communities. Performance is

measured and reported internally on a quarterly basis and publicly every six months.

Set out below are the activities carried out by the County Council which contribute to our delivery of the seven principles in the CIPFA/SoLACE Framework during 2017/18.

Core Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

We have arrangements in place to provide assurance that our values are upheld and that members and officers demonstrate high standards of conduct and behaviour.

These include:

- ▶ Code of conduct for officers and members (including gifts and hospitality, registering interests, anti-fraud and whistleblowing);
- ▶ The inclusion of ethical values in policies and procedures for all areas including procurement and partnership working
- ▶ Complaints Procedure to ensure that all complaints are investigated properly and are responded to as quickly as possible.
- ▶ A commitment to equality of opportunity for all citizens that celebrates the diversity of all residents. This is integral to everything we do including policy development, service delivery and partnership working to ensure we meet the Public Sector Duty as set out in the Equality Act 2010 and that we do not unlawfully discriminate with services we deliver.
- ▶ Our Constitution sets out the conditions to ensure that all officers, key post holders and members are able to fulfil their responsibilities in accordance with legislative requirements so that we are efficient, transparent, accountable to our residents and compliant with the law. Roles and responsibilities for individual Members, the Council, Cabinet and senior officers, along with the delegation of statutory powers and executive functions, and protocols on member / officer relations are documented.

Core Principle B: Ensuring openness and comprehensive stakeholder engagement

The Chief Executive and Strategic Leadership Team very much value and are committed to acting on staff feedback. The County Council has an annual staff survey and Staff Involvement sessions, the results of which are shared and staff are involved in issue resolution arrangements.

Throughout 2017/18 the County Council's "Have Your Say" Roadshows have enabled Worcestershire County Councillors and Officers to actively engage with members of the local community. Feedback from these sessions helps to inform the council's four corporate priorities: supporting Children and families, promoting Health and Well Being, protecting the Environment and championing Open for Business.

We are registered as a data controller under the Data Protection Act as we collect and process personal information. We have procedures in place that explain how we use and share information and

arrangements for members of the public to access information. We have also adopted the model publication scheme produced by the Information Commissioner's Office.

Core Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits

We are aiming to become a financially self-sufficient Council. To achieve this aim, we will promote and support businesses in the County, businesses looking to relocate to the county and those businesses we work closely with.

We hold four key priorities that will help us shape the future vision for Worcestershire



Open for Business

It is an exciting time to be doing business within Worcestershire with major current and future planned improvements in workforce skills, employment, infrastructure and productivity.

With a strong focus on improving outcomes for the children, young people and families of Worcestershire we have enabled 90% of our schools to achieve a good or outstanding rating by Ofsted, with 70% of young people achieving five or more good GCSE's and facilitated an increase in the number of young people moving successfully into employment. However, we will strive for continuous improvements in these areas and our providers are key in achieving this.

Children & Families

The Environment

Worcestershire's environment is one of our key features and is crucial to the success of Worcestershire's tourism economy, whilst also providing an attractive place to invest for business. We have a strong commitment to improve our transport networks and this will require equal commitment from local innovative companies.

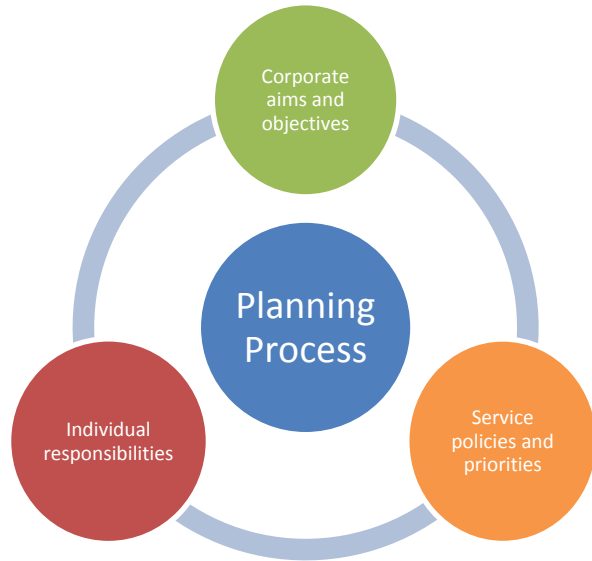
By working with local partners we can ensure that the residents of Worcestershire are healthier, live longer, have better quality of life and remain independent for as long as possible. In order to achieve this, we must ensure that we are working with good quality care providers with a strong focus on outcomes, not just outputs.

Health & Wellbeing

All Services have plans in place which correlate with the budget approved by the County Council and the key outcomes contained in the Corporate Plan. Management of these plans varies by service, but includes key performance indicators, ongoing outcome monitoring and reports to management teams and committees as appropriate

Core Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes

The County Council's planning process works to link all elements of delivery.



The Corporate Plan – Shaping Worcestershire's Future, 2017 – 2022, is a single document setting out the County Council's vision and overall strategic direction.

Shaping Worcestershire's Future



Against each key area of focus the Plan identifies a number of key aims and targets, which are managed through the Balanced Scorecard. Responsibility for achieving these lies with individual directorates, and relevant aims and targets are included in individual service delivery plans.

Progress against the Corporate Plan - Shaping Worcestershire's Future is monitored and reported to councillors on a regular basis.

Updates take account of achievements against the Plan and any new information that needs to be included.

Statutory plans, as prescribed by Central Government, and Service Delivery Plans, which cover areas of service not covered by statutory

plans, provide strategic direction and contain aims and objectives for individual services.

Core Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it

Our vision is to drive change, develop talent and optimise potential. Our role as managers and leaders is to identify, develop, motivate and retain the talent potential within the workforce to allow it to be future fit. We believe that by reviewing the talent and potential of our workforce we will better understand and identify the potential we can develop over the coming years

Our Corporate Plan "Shaping Worcestershire's Future" builds on the following key theme identified within the 2015 Future Fit Corporate Plan:

"Investing in and growing the talent within our organisation at the same time as dealing with poor performance to ensure we continue to have a workforce that is fit for the future".

We believe that by reviewing the talent and potential of our workforce we will better understand and identify the potential we can develop over the coming years. By establishing clearer and longer term workforce requirements and priorities, talent strategies can be developed to address supply vs demand.

Staff development is a crucial component of the Talent Management Programme. Development and support opportunities have been designed to enable individual employees to become "the best they can be" and help prepare them for emerging opportunities whether as a future manager or leader, senior manager, Head of Service or Director.

As a County Council, our main goal is for people to feel that Worcestershire is a fantastic place in which to live and work and making that a reality.

So an essential part of what we do is to listen to our residents – communities, service users and businesses – and act upon what they tell us is important to them.

In order to deliver these objectives, we rely on our staff to carry on the great work they already do on a daily basis which is underpinned by Our People Values:

- **Customer Focus** - "putting the customer at the heart of everything we do"
- **'Can do' Culture** – "being proactive to achieve excellence"
- **Freedom within Boundaries** – "courage to make constructive change"

This philosophy and way of working has shaped our aspirational and ambitious Corporate Plan, which is based on feedback from some of the most far-reaching consultations we have ever carried out.

Core Principle F: Managing risks and performance through robust internal control and strong public financial management

Risk management is about the identification, analysis and control of threats or events that adversely affect the achievement of the County Council's strategic and operational objectives. It is also the successful management of the controlled environment in which the decision making process is undertaken, such that positive risks are taken in order to innovate and improve service provision. The Risk Management Strategy details the methodology for evaluating corporate risk management arrangements.

The County Council's anti-fraud and corruption strategy embeds effective standards in countering fraud, corruption and theft. The Chief Financial Officer is responsible for ensuring this strategy is applied and that the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption is followed. The County Council's Money Laundering Strategy was approved for 2017/18. Having considered all the principles, we are satisfied that the organisation has adopted a response that is appropriate for its fraud and corruption risks and

commits to maintain its vigilance to tackle fraud and corruption risks and commits to maintain its vigilance to tackle fraud.

Financial Regulations set out our financial management framework for ensuring we make the best use of the money we have available to spend. It outlines the financial roles and responsibilities for staff and Members and provides a framework for financial decision-making. Where there are specific statutory powers and duties the Financial Regulations seek to ensure these are duly complied with, as well as reflecting best professional practice and decision-making.

Core Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability

We endeavour to always be open and transparent. We have a forward plan which provides information about all of the decisions that the County Council has scheduled. Formal agendas, reports and minutes for all committee meetings are published on our website which ensures that people know what decisions the County Council is planning to take, and the decisions taken.

Overview and Scrutiny Panels act as a critical friend and hold Cabinet to account for its decisions. The terms of reference for all Overview and Scrutiny Panels are defined in the Constitution.

The Audit and Governance Committee has oversight of internal and external audit matters, the council's arrangements for corporate governance and risk management and any other arrangements for the maintenance of probity.

Each year we publish information on our website outlining how we spend the County Council's budget

Arrangements are in place to ensure that we fully comply with the requirements of the Public Sector Internal Audit Standards (PSIAS) and CIPFA Statement on the Role of the Head of Internal Audit. The County Council's internal audit service is provided by Warwickshire County Council whose Internal Audit and Insurance Manager is designated as the Head of Internal Audit and has regular formal

meetings with the directors and Chief Financial Officer. Following last year's self-assessment against the PSIAS, an External Quality Assessment of the Internal Audit shared service was completed in February 2018 resulting in positive feedback on the quality of internal audit provided to its clients.

Political structure

The County Council has adopted a Leader and Cabinet executive governance model. The executive consists of the Leader of the County Council and other appointed councillors and is described as the Cabinet. The Cabinet is responsible for most day to day County Council decisions. Cabinet makes decisions in line with the overall policies, priorities and budget set by the County Council. Political decisions on executive functions are generally taken by the Cabinet collectively. No individual members of the Cabinet have (as yet) standing general delegated powers to make formal decisions within their portfolio on behalf of the Cabinet, but an increasing number are being given specific delegated powers by the leader or Cabinet on particular topics. Cabinet also considers and responds to reports and recommendations from the Overview and Scrutiny Performance Board.

Cabinet members have specific areas of responsibility:

- Finance;
- Environment;
- Communities;
- Children and Families;
- Education and Skills
- Economy and Infrastructure;
- Adult Social Care;
- Health and Well-being;
- Highways;
- Transformation and Commissioning

The full Council comprises all elected members and is responsible for agreeing the overall Policy Framework for all services, including the County Council budget. The Council also elects the Leader of the County Council and establishes the other (non-executive) committees and panels of the Council. The Chief Executive, Head of Legal & Democratic Services and the Chief Financial Officer can also submit reports to the full Council.

The Overview and Scrutiny Performance Board is made up of eight Councillors who are not on the Cabinet, plus two Church Representatives and two Parent Governor Representative (for Education matters). Its main role is to assist in policy development, scrutinise the work of the County Council and agree the scrutiny programme for endorsement by full Council. The Board will commission scrutiny through itself, the Scrutiny Panels or time-limited Scrutiny Task Groups.

The Audit and Governance Committee supports effective corporate governance and gives assurance to the County Council and the public on financial and performance issues, risk management and other relevant controls. The Audit and Governance Committee considers and approves the annual statement of accounts and the annual governance statement on behalf of the County Council, considers the audit plans of both internal and external auditors and comments on their reports.

Members are covered by a Code of Conduct that sets out the rules governing their behaviour. The Code covers areas of individual behaviour, disclosure of interests and withdrawal from meetings where Members have relevant interests. The Standards & Ethics Committee promotes and maintains high standards of conduct by Members, and can adjudicate on relevant complaints. Members register their Disclosable Pecuniary Interests and all Declarations of Interest are recorded.



3. Review of Effectiveness

The effectiveness of the governance framework is informed by assurances provided by Directors and the Chief Financial Officer within the County Council who have responsibility for the development and maintenance of the internal control environment, the comments made by the external auditors and other review agencies and inspectorates and also the work of the internal auditors. This process is delivered as part of the Corporate Risk Management Strategy.

Each directorate has a risk register which records major risks and assesses the potential impact of those risks. Registers are reviewed and updated during the year to reflect changes in risk. Operational controls are used on a day-to-day basis to control the delivery of services, none of which disclosed any significant weaknesses in control during the year.

Statutory duties placed upon the Monitoring Officer and the Chief Financial Officer require them to draw to Members' attention improper practices or financial imprudence. The Audit and Governance Committee receive reports on those audits that result in a limited opinion. In 2017/18 two audits, Direct Payments (Adults) and Accounts Payable, were given limited assurance and it is

anticipated that three further reports (Bank Reconciliation, Financial Systems Access Control and Accounts Receivable) will also be issued as limited reports. In addition during 2017/8 the Committee received reports on three limited opinion audits, (Malvern Link & Foregate Street Station, Bromsgrove Rail and Cash Handling at Adult Social Care Establishments), relating to audits undertaken in 2016/7 but which were not finalised until 2017/8. Actions are being taken to address weaknesses identified and implementation of new financial systems has been identified as a significant governance issue in both 2016/7 and 2017/8.

The review of governance, risk and control arrangements by the internal audit section is continuous. The implementation of new financial and HR payroll systems has caused some issues with financial monitoring, particularly during the first quarter of the year, however regular budget monitoring reports have been presented during the year and have confirmed that expenditure is within the County Council's cash limits.

The County Council has contractual arrangements to govern its relationship with the majority of the organisations with which it deals. These arrangements are reviewed and managed by contract managers and directorate management teams.

4. Significant Governance Issues

Issues identified as a result of our review process are detailed below, including an update on progress for issues raised in 2016/17.

Update on progress for issues raised in 2016/17:

1) Sustainable Improvement in Children's Services

A Service Improvement Plan was put in place in early 2017 and has been regularly monitored and reviewed since then. Progress has been recognised in the series of Ofsted monitoring visits that took place during the year. The plan has been reviewed and updated for 2018 with a set of focused work programs to support it. Whilst this remains a risk (see following section), there is now agreement to establish an Alternative Delivery Model (ADM) from April 2019.

This remains a governance issue for 2018/19.

2017/18 issues flowing into 2018/19 identified as a result of our review process:

The County Council seeks to continuously enhance its management arrangements to improve service delivery, efficiency and value for money, whilst achieving its objectives.

The review of effectiveness has informed identification of the following key challenges, along with the actions taken / proposed to take to detail with these issues:

1. Sustainable improvement in Children's Services.

As noted in the 2016/17 AGS the response to the statutory improvement notice in Children's Services remains live. An improvement plan and plans to establish an alternative delivery model are well underway with regular programme monitoring and independent checking. It is envisaged that this will thus remain a key risk for the County Council to address in 2018/19, although at this stage response is being well managed and mitigations are in place. As is being seen in most councils across the country, demand pressures within children's social care continue to be a risk for the County Council due to the rise in numbers of children looked after and the complexity of need within the looked after children population.

Children's Services will also be responding to the outcomes of the 2017/18 Special Educational Needs and Disabilities (SEND) inspection.

2. Migration of Human Resources and Finance System.

Implementation of the Independent review actions recommended by SOCITM are well progressed. Whilst 2017/18 saw responses to immediate issues following Go Live of the General Ledger system (E5) and HR system (iTrent), the longer term issues are being addressed. The County Council is now in a period of improvement and transformation with its partner (Liberata), and progress is being monitored regularly by the County Council's Audit and Governance Committee.

3. Ensuring delivery of the County Council's vision and corporate objectives, in line with the Medium Term Financial Plan.

2) Home to School Transport

Work took place to review the reporting and monitoring of activity information to ensure that it was as robust as possible. As a result of this work the level of financial risk was reduced. This will be kept under active review to ensure that the position is maintained.

This no longer remains a governance issue as the level of risk has reduced.

3) Migration of Human Resources and Finance Systems

There were a number of issues with the migration to the new HR and Finance systems. Recovery plans were put in place and the position improved significantly during the course of the year. An independent review was carried out by The Society of IT Managers (SOCITM) who made several recommendations. There remain some residual issues which are impacting on business of the County Council and which will be worked through.

This therefore remains a governance issue for 2018/19.

4) Ensuring delivery of the County Council's vision and corporate objectives, in line with the Medium Term Financial Plan

The County Council has achieved a balanced budget for 2017/18. As is often the case not all planned savings have been achieved. Some alternative savings have been found and use has been made of reserves. The County Council's budget planning process for 2018/19 has involved review and challenge of continuing planned savings and has set a balanced budget.

Given the scale of funding reduction facing local government this remains a governance issue going into 2018/19.

Whilst these four areas have not impacted on the County Council's overall control environment in 2017/18, further development continues to ensure the County Council is able to strengthen the effectiveness of its control environment in these areas.

The County Council has set a balanced budget for 2018/19 as well as an indicative longer term financial plan. However, at this time there is considerable uncertainty over the funding for local government. It is expected that over the summer of 2018 there will be further clarity and the County Council will need to respond accordingly. As such this potential risk needs continual review and councillors will be kept abreast of progress in delivering the 2018/19 budget and the funding position for future years through Cabinet monitoring reports in 2018/19. In addition, following a review by Overview and Scrutiny of a CIPFA resilience review officers will be working closely with councillors to ensure greater engagement in the budget setting process. In addition to this the County Council's maintained school's balances have again reduced and with the changes in funding formula this is an area of potential risk that requires further review.

4. **Adult Social care - Operational Pressures**

The local health and social care economy is under considerable demand pressure. As well as financial implications this is seen in

particular pressure points such as delayed transfers of care from hospitals and lack of capacity in specific sectors of the care market. The County Council is actively working with its partners in the Health and Independent Sectors.

5. **Staff capacity, recruitment and retention:** The County Council has undergone a significant change in its Senior Leadership Team over the last six months. There will inevitably be a period of settling and challenge which may lead to further changes. The risk of staff retention and workforce planning thus needs to be considered and mitigated as appropriate during the next 12 to 18 months as part of any change programme to ensure the right capacity is maintained and staff development is maximised. Staff capacity may be impacted by national health issues such as Human Pandemic Flu. Epidemiological modelling suggests that an outbreak is possible at any time and its impact is likely to be severe.

5. Certification

To the best of our knowledge, the governance arrangements, as defined above have been effective. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation during the year and as part of our next annual review and through the County Council's Corporate Risk Management Group.

Paul Robinson
Chief Executive

Simon Geraghty
Leader of the County Council

Date:

Date:



Worcestershire County Council Statement of Accounts

Comprehensive Income and Expenditure Statement

2016/17	2016/17	2016/17		2017/18	2017/18	2017/18	
Expenditure	Income	Net		Expenditure	Income	Net	Note
£m	£m	£m		£m	£m	£m	
Service Expenditure Analysis							
189.0	(52.4)	136.6	Adult Services	200.8	(66.3)	134.5	
380.6	(281.7)	98.9	Children, Families and Communities	385.0	(263.8)	121.2	
120.1	(27.1)	93.0	Economy and Infrastructure	112.6	(29.5)	83.1	
38.9	(18.6)	20.3	Commercial and Change, Finance & Chief Executive	37.1	(9.4)	27.7	
33.0	(31.2)	1.8	Public Health	29.4	(30.4)	(1.0)	
761.6	(411.0)	350.6	Net Cost of Services	764.9	399.4	365.5	
6.2	(1.5)	4.7	Other operating expenditure	5.5	(0.1)	5.4	13
84.5	(33.0)	51.5	Financing, investment income & expenditure	86.2	(30.9)	55.3	14
	(378.1)	(378.1)	Taxation & non-specific grant income and expenditure	0.2	(362.0)	(361.8)	15
852.3	(823.6)	28.7	(Surplus) / deficit on the provision of services	877.2	(812.8)	64.4	1
Other comprehensive income and expenditure:							
(18.6)		(18.6)	(Surplus) on revaluation of property, plant & equipment			(122.2)	18.3
4.1		4.1	Impairment losses on non-current assets charged to Revaluation Reserve			15.2	18.3
54.3		54.3	Actuarial (gains) / losses on pension assets & liabilities			(60.5)	28.1
		39.8	Total other comprehensive income and expenditure			(167.5)	
		68.5	Total comprehensive income and expenditure (surplus)/deficit			(103.1)	

Movement in Reserves Statement 2017/18

	General Fund (Non Earmarked) Balance	General Fund (Earmarked) Reserves	General Fund Total	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 31 March 2017	12.0	98.5	110.5	5.4	31.5	147.4	(99.7)	47.7
Movement in reserves during 2017/18:								
Total Comprehensive Income and Expenditure	(64.5)		(64.5)			(64.5)	167.6	103.1
Adjustments between accounting basis & funding basis under regulations (Note 3)	64.7	(14.1)	50.6	(0.6)	3.4	53.4	(53.4)	
Increase / (decrease) in 2017/18	0.2	(14.1)	(13.9)	(0.6)	3.4	(11.1)	(114.2)	103.1
Balance at 31 March 2018 carried forward	12.2	84.4	96.6	4.8	34.9	136.3	14.5	150.8
Note Reference		17.1				17	18	

Movement in Reserves Statement 2016/17 Comparison

	General Fund (Non Earmarked) Balance	General Fund (Earmarked) Reserves	General Fund Total	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 31 March 2016	13.0	109.0	122.0	5.1	30.4	157.5	(41.4)	116.1
Movement in reserves during 2016/17								
Total Comprehensive Income and Expenditure	(28.7)		(28.7)			(28.7)	(39.8)	(68.5)
Adjustments between accounting basis & funding basis under regulations (Note 3)	27.7	(10.5)	17.2	0.3	1.1	18.6	(18.6)	
Increase / (Decrease) in 2016/17	(1.0)	(10.5)	(11.5)	0.3	1.1	(10.1)	(58.4)	(68.5)
Balance at 31 March 2017 carried forward	12.0	98.5	110.5	5.4	31.5	147.4	(99.8)	47.7

Balance Sheet

31 March 2017		31 March 2018	
£m		£m	Note
936.2	Property, plant and equipment	1,013.8	19.1
1.7	Heritage assets	1.4	
1.0	Intangible assets	0.6	
3.1	Long-term investments	3.1	22
122.9	Long-term debtors	122.9	23
1,064.9	Long term assets	1,141.8	
11.7	Non Operational Assets	17.0	19.5
21.0	Short-term investments	1.5	21.1
1.1	Inventories	1.0	
46.4	Short-term debtors	65.4	23
19.6	Cash and cash equivalents	15.4	24
99.8	Current assets	100.3	
(42.6)	Short-term borrowing	(78.3)	21.1
(106.0)	Short-term creditors	(78.9)	25
(0.5)	Short-term provisions		
(149.1)	Current liabilities	(157.2)	
(1.8)	Long Term Creditors	(2.5)	21.1
(0.6)	Long-term provisions	(0.5)	
(325.4)	Long-term borrowing	(366.9)	21.1
(640.1)	Other long-term liabilities	(548.1)	26
	Grants receipts in advance	(16.1)	
(967.9)	Long-term liabilities	(934.1)	
47.7	Net assets	150.8	
	Financed by:		
147.4	Usable reserves	136.3	17
(99.7)	Unusable reserves	14.5	18
47.7	Total reserves	150.8	

Cash Flow Statement

2016/17	2017/18	
£m	£m	Note
(28.7) Net surplus/(deficit) on the provision of services	(64.5)	
87.1 Adjust net (surplus)/deficit for non-cash movements	29.1	
(64.7) Adjust for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities	(62.0)	
(6.3) Net cash flows from operating activities	(97.4)	29
(21.5) Net cash flows from investing activities	23.4	30
26.5 Net cash flows from financing activities	69.8	31
(1.3) Net increase/(decrease) in cash or cash equivalents	(4.2)	
20.9 Cash and cash equivalents at 1 April	19.6	
19.6 Cash and cash equivalents at 31 March	15.4	