



2019 /

2020

**Annual Financial Report
and Statement of
Accounts**

Worcestershire County Council



Worcestershire County Council Annual Financial Report

Leader's Introduction

The 2019/20 financial year has been very busy for the Council which has seen us manage our finances closely whilst at the same time progressing key changes within the Council and importantly delivering significant investment in services and infrastructure to support the most vulnerable in our society, improve the County's transport network and provide vital impetus to promote economic growth and job creation.

The County was faced with significant disruption from Storms Ciara and Dennis and rose to the challenge of keeping people safe, minimising the impact on daily lives and supporting those communities affected.

The COVID-19 pandemic started to impact on the Council during the middle of March and had only a minimal financial effect during 2019/20. The Government has been quick to distribute funding to local councils and with our health colleagues, other local authorities, and emergency service partners we are leading the recovery response for the County area. This on-going crisis, however, will continue to be a significant challenge for us during 2020/21.

During 2019/20 there have been several significant improvements as we continue to deliver our Corporate Plan Shaping Worcestershire's Future.



We have successfully set up of our wholly owned Council company Worcestershire Children First taking day to day charge of around

£100 million of Council spend and the delivery of important priorities around Education and Children's Social Care.

Our improvement plan for children's social care has made excellent progress over the last year and as a result our engagement with Essex County Council as Improvement Partner has drawn to a close. A more stable workforce with permanency rates for front line social workers at 86% has been achieved and average caseloads have reduced to 20. In terms of the numbers of children in care they have stabilised at 70 per 10,000 and for the first time we are now taking fewer children into care than the West Midlands average. Our investment in skilled and highly motivated staff and management continues to pay off.

We have seen our Education performance standards improve with 84% of children in Worcestershire educated in good or outstanding schools although our aim is for this to reach 90%. Last year over 90% of parents secured an offer at their first preference school for their child. Latest GCSE results show that the percentage of students in the County gaining grades 4 or above in English and Maths has increased.

The Council redesign is taking shape with an agreed organisational structure and we have successfully recruited to our remaining top-tier posts.

Worcestershire's economy continued to perform well with our Worcestershire Local Enterprise Partnership and wider business organisations driving forward our jointly agreed objectives set out in the Strategic Economic Plan to create 25,000 jobs, grow the economy by nearly one third (an extra £2.9bn Gross Value Added) and deliver 21,500 new homes by 2025. Excellent progress was made with 31,000 new jobs added, an increase in Gross Value Added of £2bn and the building of 12,980 new homes to date –

ensuring Worcestershire remained one of the fastest growing local economies in the country. Covid-19 and the economic impact as a result of the lockdown will undoubtedly be a significant challenge for this coming year.

With regard to digital infrastructure, the Superfast Broadband programme has transformed the availability of faster broadband in the County with 96% of premises now able to access 24Mbps+. The programme has been extended as a result of additional funding, including £1million from Defra, and aims to reach 97% superfast coverage by early 2021.



We have built and opened the first new rail station in Worcestershire for 100 years which will significantly transform connectivity for rail users. Worcestershire Parkway has enabled key services to and from London that will take less than 2 hours and passengers will be able to get to Cardiff in 1hr 23 mins and to Nottingham in 1hr 49 mins. Our clear ambition now is to access even more services.

We have also been investing in our road infrastructure. The Worcester Southern Link Road (SLR) is a strategically important link. The planned improvements will result in critically needed additional highway capacity along the SLR leading to a significant improvement in journey times and journey time reliability.

In Bromsgrove, the changes to the A38 Barley Mow Lane junctions have been successfully delivered with progression of the designs for the M5 and M42 elements of the scheme ongoing with Highways England maintaining the plan to commence construction in 2020.

Our Energy from Waste plant, EnviRecover, continues to perform well, allowing our contractor to apply for the relevant permissions to enable them to progress up to 15% more waste through the facility each year. Energy from the plant creates electricity for 32,000 homes.

We have continued to complete a range of drainage and flood mitigation schemes to improve our resilience to the effects of flooding and the changing climate. During the last 12 months the major flood adaptation scheme at Upton-upon-Severn has been completed, increasing the road's resilience to future flooding.

Work is continuing across the County to provide attractive public spaces to support the local retail economy. This builds on the success of Cathedral Square in Worcester, Alcester Street in Redditch, Droitwich High Street, Teme Street in Tenbury and most recently The Shambles in Worcester and Worcester Street in Kidderminster. More schemes are planned for this year.

Alongside our response and recovery to COVID-19, the long-term funding of social care undoubtedly remains the key challenge and one that will require a nationally agreed solution. In the meantime, I welcome the continuation of the social care grants, the additional funding announced in the autumn for 2020/21 and the proposed continuation for one more year of the Adult Social Care precept that together will enable us to fund the rising costs of social care next year.

Looking forward to 2020/21, we will be continuing our Covid-19 response & recovery actions alongside working with Central Government around funding arrangements. Our Corporate Plan remains a key focus as it is now more important than ever to encourage a strong local economic recovery, support vulnerable adults and children and help our residents and service users to return to a normal way of life.

Simon Geraghty
Leader of
Worcestershire
County Council



Chief Executive's Introduction

My second year as Chief Executive has seen the Council deliver structural change whilst at the same time being faced with the significant challenges through safeguarding life and property as a result of Storms Ciara and Dennis, and then as a workforce facing a complete realignment of working practices as a result of COVID-19.

I would like to thank all staff who have worked tirelessly throughout the year under difficult circumstances making a real difference to people's lives.

2019/20 has been dominated by four key strategic priorities:

- a) Strong financial management and budget stabilisation;
- b) A full organisational redesign;
- c) The creation and launch of Worcestershire Children First and the Ofsted reinspection; and
- d) The introduction of a new digital case management system in both Children's and Adult services.

Strong financial management and budget stabilisation

2018/19 saw the Council face significant financial pressure mitigated by the successful implementation of a number of savings measures. Building on this strength 2019/20 financial performance has remained strong with expenditure coming in on budget to within £0.3 million (0.1%).

Behind this we have strengthened the finance team and upskilled budget holders and spend managers give them more access to self-service finance reports.

A full organisational redesign

The organisational redesign has been a major piece of work this year involving all departments at all levels. The fundamentals behind the redesign are to remove operational silos, drive performance and productivity, reform processes to be more efficient and cost effective, and to use digital technology where appropriate to its full potential.

The first part of this process to implement the top tier and Assistant Directors has been completed whilst we have been reviewing remaining staffing structures which when complete will lead to a £3m per annum saving.

Within the field of organisational redesign and human resources work has been progressing throughout the year on improving performance, productivity and total reward. The following main points illustrate the work completed to date:

- We have moved to 100% compliance with mid-year and end of year ratings submissions for the performance process. This has been coupled with a calibration process looking to move performance ratings to a standard distribution curve.
- We have continued to embed our core employment policies (Managing Attendance, Conduct, Performance, Grievance etc). These have led to a continued improvement in attendance levels having moved from a projected c10 days average sickness per employee to 7.68 days per employee over the last 12 months. This has returned a significant amount of productivity back into the business

- We have continued to focus on recruitment of front-line social workers within Children’s Services in Worcestershire Children First. We have met our target of recruiting to 85% permanent front-line practitioner social workers in Children’s.

The creation and launch of Worcestershire Children First and the Ofsted reinspection

The Council’s wholly owned company, Worcestershire Children First, was successfully launched on 1 October. More than 700 staff were smoothly TUPE-transferred to the new organisation, with no negative impact on performance and morale. The Department for Education (DfE) were pleased with the progress made to the agreed timescale.

The improvement work in Children’s Social Work and Safeguarding got independent and external recognition in July 2019 when Ofsted returned for a full inspection under the new ILACS framework. Ofsted confirmed the services were no longer “inadequate” and graded the service “Requires improvement to be good” with a strong trajectory of improvement. This improvement has been made possible by the success of our workforce strategy that is designed to ensure that the conditions are in place where social work can flourish, and that the organisation is the ‘employer of choice’ in a very competitive market place. At the end of year children’s social work permanency was running at 86%, a significant improvement on the previous year.

In October 2019, in line with DfE requirements, the new multi-agency Safeguarding Board arrangement went live with “Worcestershire Safeguarding Children Partnership”. The focus of

the new partnership is multi-agency quality assurance, protecting children from exploitation and learning lessons from serious cases.

In 2019 there was investment in Special Educational Needs and Disabilities (SEND) services as part of the response to the SEND Written Statement of Action from 2018. The development of this workforce in both capacity and practice has resulted in continued improvement this year particularly in the timely completion of the assessment and planning for Education Health and Care Plans (EHCP’s). In 2018/19 overall, 30% of EHCPs were completed within the 20 week timescale. In December 2019 100% of EHCPs due to be completed were done so within the 20 week timescale. The latest DfE monitoring visit concluded that we are making good progress with the Written Statement of Action and that previous concerns raised about the continuity of effort during a period of organisational change with the establishment of WCF and key senior personnel change were assuaged at the visit.

The introduction of a new digital case management system in both Children’s and Adult services

We have successfully implemented our new social care case management system Liquidlogic for both the Council’s Adults Social Care staff and Worcestershire Children First’s Children’s teams. This new system will bring staff productivity improvements through improved mobile working.

Flooding

I would also like to say a big thank you to Highways, Flood team, Emergency Planning and other colleagues for their superb efforts in managing the major floods we have had that began over the Autumn of this last year. Many properties and roads were badly affected on several occasions between late October and December, and the hard work of all involved and our partners in the District Councils and Environment Agency ensured we managed the difficult conditions and kept things moving as much as practicable. The later floods in February and March again saw these teams working very hard to keep the County's people safe and the roads clear.

COVID-19 Initial Recovery

The Council has a clear role in support public health and the COVID-19 pandemic has created a significant challenge that will last for many months to come. The work of the staff and Councillors to date has been fantastic, working with partner agencies at the forefront of support. I am so proud of all that we have accomplished in such a short period of time.

As a workforce we have adapted fantastically to new working arrangements, for many staff keeping vital services continuing whilst for others there are many examples of volunteering in other roles such a support food parcel delivery or staffing our Here to Help service.

The Government has given us funding to see us through the first quarter of 2020/21 and we are working closely with MHCLG and the County Council's Network to model our future needs and to make sure we maintain financial stability and service provision.

Whilst it is very difficult to forecast what the total impact will be on the Council's service provision, we are working on what the future will look like and through the summer will be reviewing our Medium Term Financial Plan.

I am confident that our strong workforce and all our organisational redesign work will means we have an excellent operational base to move forward and continue to deliver our Corporate Plan objectives.

Paul Robinson
Chief Executive



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, continues to deal with a significant increase in demand for and cost of our services, most of which relates to social care. Through good financial management the County Council continues to set and deliver a balanced budget, whilst also improving its performance in key areas.

Despite significant challenges in 2019/20, the County Council delivered a small overspend of £0.3 million against its £330.4 million budget and achieved planned savings of £15.8 million. Through robust financial monitoring and prompt management action, we have ensured that additional costs arising from our response to flooding across Worcestershire at the beginning of 2020 and the current COVID-19 pandemic which started to have financial implications during March 2020, have not had an adverse impact on the outturn position at 31 March 2020. The outturn position by directorate is given below:

Service area	Budget £m	Outturn £m	Variance £m
People – Adults	125.870	127.413	1.543
People – Communities	21.165	20.255	-0.910
People – Public Health	2.389	2.471	0.082
Children’s Services/WCF	95.488	96.037	0.549
Economy & Infrastructure	55.749	54.766	-0.983
Commercial & Change	6.392	5.912	-0.480
Finance/Corporate Items	32.449	29.042	-3.407
Non-Assigned	(6.865)	(3.000)	3.865
Budgeted Use of Reserves	(2.247)	(2.247)	0
Total	330.390	330.649	0.259

The Council’s main cost pressure during the year arose on Adult Services where the £126 million budget was overspent by £1.6 million (1.3%), which was offset by underspends of £1 million on Community Services and £1 million on Economy and Infrastructure services.

School Balances overall reduced during the year to a net surplus of £1.4 million, although the net position includes £9.3 million of schools in deficit. School’s funding therefore remains an area of concern and the Council and Worcestershire Children First are working to support schools in achieving their financial plans as well as lobbying Central Government. The non-schools Dedicated Schools Grant (DSG) will carry forward a deficit of £6.2 million and this will be carried forward and offset against future DSG income.

Following storms Ciara and Dennis earlier this year, the Council set up a Worcestershire Flood Support Scheme and allocated £250,000 to support those most affected. The Council's own expenditure totalled £1.5 million and we are reclaiming £0.9 million of this under the Government's emergency fund – the Bellwin Scheme.

The COVID-19 pandemic started close to our financial year end and thus for 2019/20 it has not had a major financial impact, with expenditure totalling £0.4 million over the last two weeks of the financial year. On 27 March 2020 the Council received £14.9 million (being the first part of a total of £25.5 million given to the Council) to support costs and unspent monies will be carried forward for use in 2020/21. The Council has since been given additional Infection Control funding to forward to social care providers and is able to reclaim monies from the NHS to support hospital discharges.

We continued to make progress against our key financial service performance indicators throughout the year; the time taken to collect our debt has improved in 2019/20 with 98% collected in 90 days, compared with 97% in 2018/19, following a focused review of our income management processes. The centralisation of income management, with standardised income raising and debt collection procedures, agreed as part of our Finance Improvement Programme and the allocation of additional resources will ensure that this improvement is sustained in 2020/21. However, the time taken to pay creditors has slipped in 2019/20 with 96% of creditors paid within 30 days of invoice date, compared with our 2018/19 performance of 99%. We are in the process of reviewing and strengthening our Financial Transaction team and will continue to review this target.

We have taken appropriate measures to ensure the valuation of our assets and investments are robust, noting that they are subject

to a degree of uncertainty considering the current financial climate as a result of the COVID-19 pandemic. This equally will apply to our Pension fund investments. With regard to our debtors in light of COVID-19 we have increased our Provision of Bad Debts by £1.4 million to £3 million taking into account the financial challenges faced by individuals and businesses at this time. We will continue to review this in 2020/21.

Looking forward, there is considerable financial uncertainty regarding the impact of COVID-19, the length of time this will impact our services, our income and funding levels, the strength of our service providers and partners, and not least our own staff as we manage recovery.

In many respects, we are acting as agents for Central Government working with partner agencies managing the response to the COVID-19 crises at a local level and as such we continue to work with Government to reclaim costs and lost income. Funding so far that has come forward from Government has been quickly distributed to where it is needed most. The majority of the financial impact will occur in 2020/21 and the following year, and we will be revising our Medium-Term Financial Plan as matters continue to emerge.

Finance staff continue to work closely with our service partner Liberata and our external auditors Grant Thornton to improve performance to ensure a robust close-down process and produce the statutory accounts within statutory deadlines, and I express my thanks for their hard work.

As the financial pressures and funding uncertainties facing councils increase, it is imperative that we continue to put financial strength and competence at the heart of all decision making to deliver an innovative, strong, resilient and sustainable financial performance. The qualified finance team has been significantly strengthened during 2019/20 as we have made progress and driven change through our Financial Improvement Programme. We will continue to manage this programme and report to our Audit and Governance Committee on a regular basis.

Further in-depth highlights of the 2019/20 Statement of Accounts are contained in the Finance and Performance Review section below.



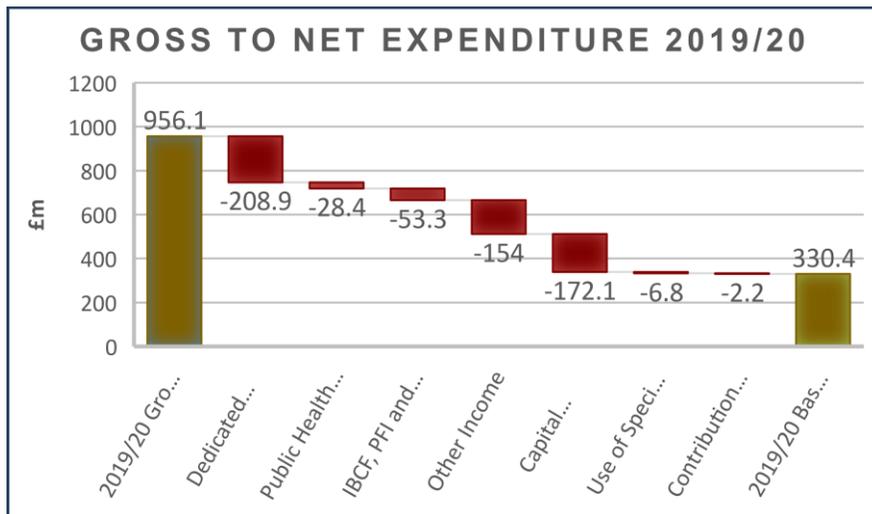
Michael Hudson LLB (Hons), LLM, CPFA

Chief Financial Officer

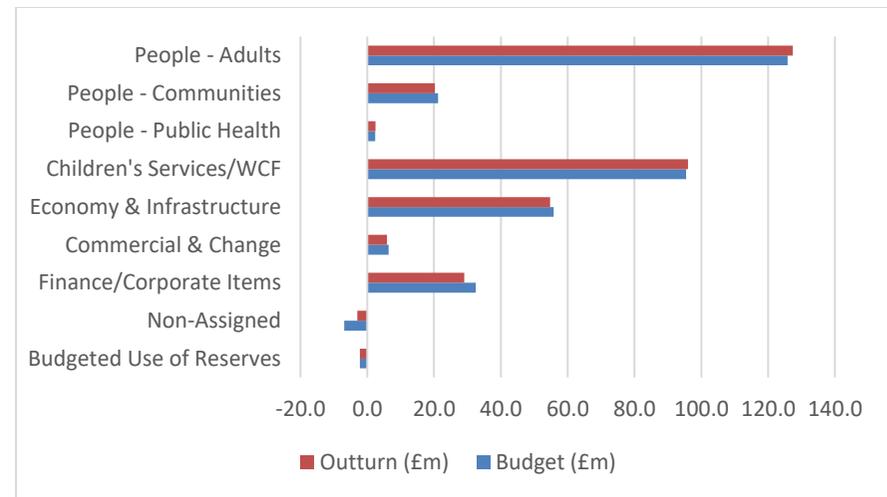
Finance and Performance Review

2019/20 Financial performance

The County Council net budget for 2019/20 was £330.390 million. The breakdown of gross to net expenditure is shown in the graph below:



In line with budget monitoring throughout the year the County Council overspent it's £330 million budget by £0.3 million (0.1%) in 2019/20, with pressures in People, Children's Services and Finance, HR & Chief Executive being offset by underspends in Economy and Infrastructure and Commercial and Change Services. The graph below gives details of the outturn position by directorate.



Significant management action has been undertaken in year to manage cost pressures in addition to delivering savings of £15.8 million. The key financial and performance for each directorate is drawn out in the following paragraphs.

People Services - Adults

As reported and forecast during 2019/20 the Adult Social Care budget ended the year overspent, although the level was better than predicted with a £1.6 million overall pressures across all areas of social care. A particular factor was the increased activity and unit price of nursing placements in the Older People service saw £4.6 million more spent than the original budget. The use of grants, changes to income, service delivery and vacancy management have enabled managers to offset some of these

pressures. The 2020/21 budget has again sought to redirect resources to rebalance these budgets.

People Services – Communities

The Communities budget returned a £0.9 million underspend largely as a result of increased grant and registrars income.

Children's Services

Children's social care placements demand and costs continued to increase in 2019/20, resulting in an overspend of £0.5 million which relates largely to costs pressures in the Home to School/College Transport budget. This is a significant improvement on the previous year. We continue to monitor the increased demand and underlying pressures on transport services through a technical working group, led by the Head of Finance.

The increasing cost of high needs provision has placed significant pressure on the Dedicated School's Grant (DSG) funding as well as the Council. The overall DSG deficit at 31 March 2020 is £6.2 million and this will be carried forward against future DSG income. The Council continues to work with schools to optimise pressures within funding, whilst lobbying Central Government for the issue to be addressed nationally.

Economy and Infrastructure

The directorate has delivered an underspend of £1.0 million (1.8% of its budget), with a significant proportion of this relating to underspends of £0.6 million in Streetworks services with delays in projects; and £0.4 million underspend achieved by a reduced volume of concessionary fares payments.

Commercial and Change

Following close management action to contain expenditure, the Directorate has delivered an underspend of £0.5 million (7.5% of its budget) as a result of management action in holding vacant posts across a number of areas, reduced asset management spend and achieving contract savings.

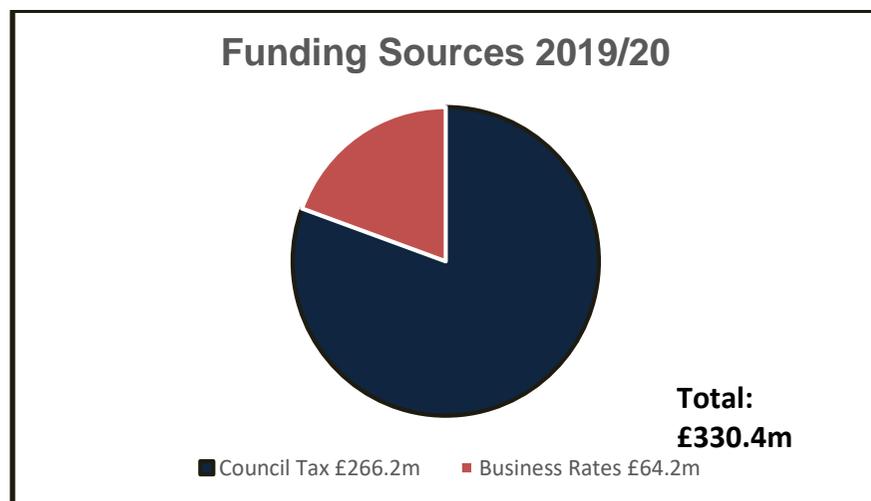
Finance, HR & Chief Executive

Finance and Corporate budgets achieved an underspend of £2.9 million mainly as a result of reduced borrowing costs from prudently managing cash balances, withholding expenditure from the Council's contingency budget, and reduce employer's pension costs.

The corporately held savings target of £6.9 million for Organisational Redesign and Commercial Savings has been partially offset by a one-off withdrawal of £3 million from the Financial Risk Reserve, with the balance of £3.9 million reported as an overspend. The 2020/21 budget has been updated to reflect those savings that can be delivered in that or future years.

Funding sources

The Council's core revenue expenditure was funded by a combination of locally raised funds and resource allocated from central government.



The Council Tax Band D equivalent was set at £1,260.75, which includes £90.83 relating to the ring-fenced Adult Social Care precept.

Services also receive funding from specific grants, contributions and fees and charges. Key grants are the Improved Better Care Fund, Public Health Ring-fenced Grant and Dedicated Schools Grant. The terms and conditions of these grants vary, and the funding may be non-recurrent.

Impact on the Council's Assets and Liabilities

The value of our property plant and equipment has increased by a net £18.1 million in 2019/20. We have disposed of £30.9 million

of assets, including 8 schools which have converted to academy status during 2019/20 resulting in a £16.3 million reduction to the Council's assets at nil consideration.

We secured £9.7 million of capital receipts which have helped us manage our borrowing requirement and fund transformation. At the same time, we are reporting a further £7.6 million of assets held for sale (note 15.8 Non-operational assets). Of these a quarter of the value is linked to the disposal of a former school asset which has planning permission for a new adult's residential home which will increase capacity for care in the County.

The County Council's pensions liabilities have decreased by £42.9 million. Of this, £27.4 million relates to an actuarial gain from changes in financial assumptions surrounding discount rates and CPI inflation; in line with actuarial assumptions.

Whilst we have seen an improvement in performance in debts collected within 90 days, we saw the average time to collect a debt slip from 39 days to 55 days in 2019/20. Progress is underway, as part of our Finance Improvement Programme, to improve our income management and debt collection processes and we continue to work with our strategic partners, with support from colleagues in legal services, to facilitate the efficient resolution of queries in respect of debts that are over 30 days old. We are also now reporting collection rates and progress on a quarterly basis to the Audit and Governance Committee. In response to changes in the aged profile of debtor balances at 31 March 2020, we have increased our impairment allowance by £1.4 million: trade debtors by £0.9 million with a further £0.5 million increase in respect of Adult Social Care debt. The County Council has considered the

impact of the COVID-19 pandemic upon the recoverability of debtor balances at 31 March 2020 and has applied a professional judgement to increase the bad debt provision in 2019/20 by 25% to reflect the additional risk.

Whilst performance in respect of our time to pay creditors continues to be high (96% of all creditors paid within 30 days), we continue to review creditor payment terms to secure savings where we can negotiate reduced costs. Overall the increase of our trade creditors at 31 March 2020 by £12.6 million is mainly related to the timing of equalisation payments to District Councils in respect of the Business Rate Retention Scheme.

Our earmarked and other usable reserves have increased over the year by £9.5 million to £144.4 million. This reflects the financial position of the County Council in the year, with directorates drawing down amounts put by in previous years to support service delivery offset by corporate savings through lower Minimum Revenue Provision costs allowing savings to be added to the Financial Risk Reserve. Further detail is given below.

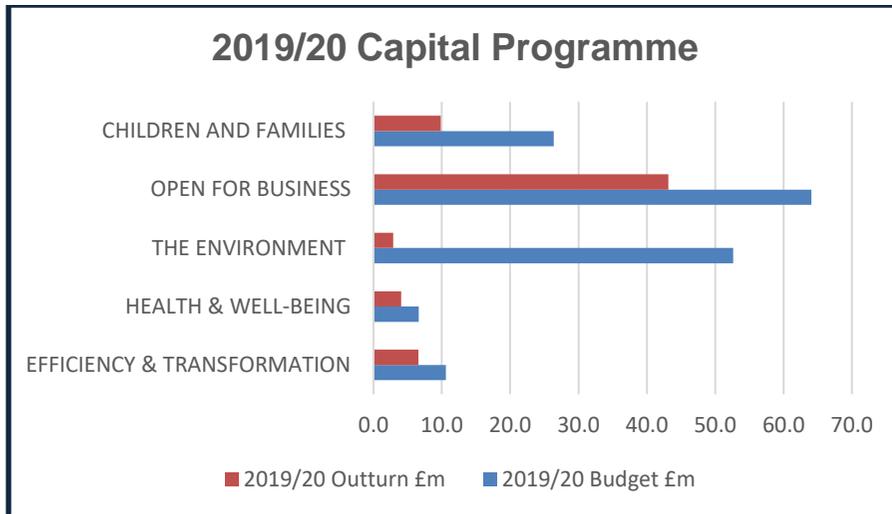
Financial risks and our reserves

Over recent years, our trend for underlying cost pressures and extensive use of specific grants and other reserves has significantly reduced our earmarked reserves although that trend is reversing. Our General Fund Reserve balance at 31 March 2020 was unchanged at £12.2 million. Looking forward, the total resources available are £76.3 million, as noted in the table below:

	Balance at 31 March 2019	Transfers out	Transfers in	Balance at 31 March 2020
	£m	£m	£m	£m
Directorate Reserves	28.7	-14.9	15.1	28.9
Grant / Funding Reserves	13.8	-5.5	5.4	13.7
Corporate Funding / Insurance	21.6	-14.3	21.8	29.1
Schools / DSG Reserves	4.9	-12.8	3.0	-4.9
PFI Reserves	12.5	-7.8	4.8	9.5
Total	81.5	-55.3	50.1	76.3

Capital Programme

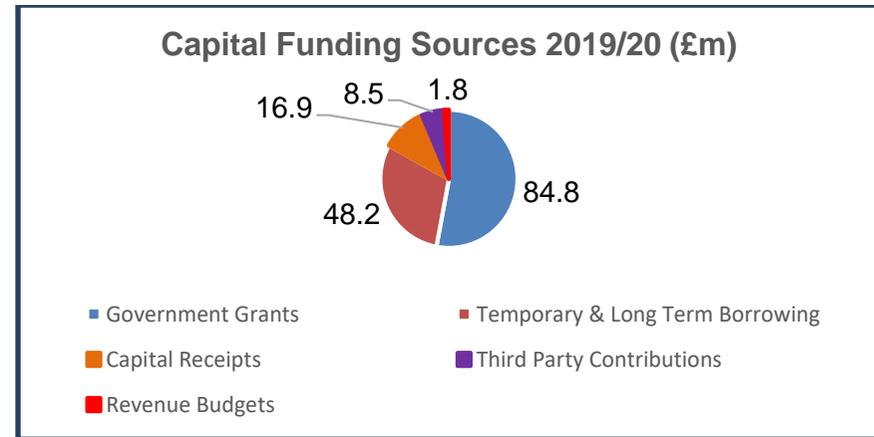
The capital programme for 2019/20 to 2021/22 and beyond totals £338.6 million, with £160.7 million in 2019/20. Expenditure is most significant in the Economy & Infrastructure Directorate which includes infrastructure support for Open for Business priorities.



Key schemes supported during 2019/20 are:

- Southern Link Road Dualling
- Worcestershire Parkway Regional Interchange
- Kidderminster Rail Station Enhancements
- A38 Bromsgrove
- Social Care Case Management System Replacement – Liquid Logic

Funding for capital schemes comes mainly from government grants, usually for specific developments, and borrowing, as shown below:



Impact on Treasury Management and cash flow

Our short-term borrowing has reduced by £18.0 million whilst our long-term borrowing has increased by £26.6 million. This reflects our strategy of reprofiling our borrowing. All of our Treasury Management activities are reported separately and regularly to Cabinet and Council. All transactions have been completed in accordance with our Treasury Management Strategy for the year.

Delivering the Corporate Plan

The Council's 2017-22 Corporate Plan – Shaping Worcestershire's Future, sets a clear vision and four distinct priorities for the organisation and wider partnership to focus on delivering. This is set out alongside a revised way of working, move towards financial self-sufficiency and encouraging those individuals, families and communities who can to do more for themselves, enabling limited resources to be targeted on protecting the most vulnerable in society. Regular public engagement has consistently highlighted the following important aspects to consider when allocating resources:

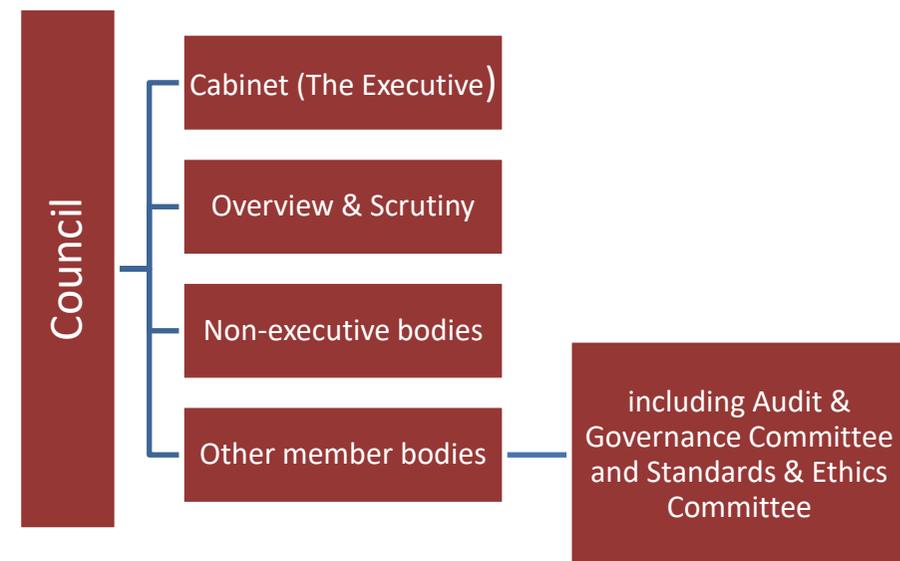
- Safeguarding vulnerable young people, particularly those in or leaving care to ensure they are safe and can make the most of the opportunities they have
- Protecting vulnerable older people, particularly those with physical, learning and mental health difficulties
- Maintenance of the highway.

Political structure

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.

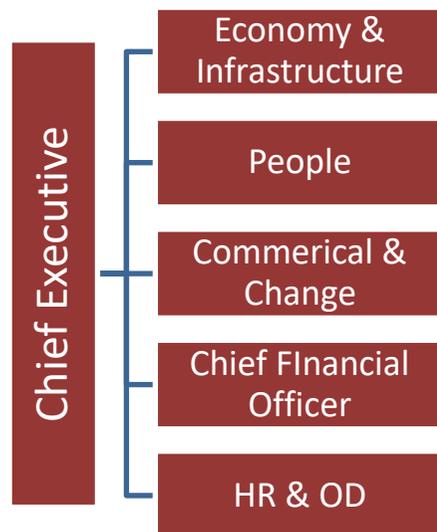
Full Council meetings are held regularly throughout the year. Council is responsible for agreeing the main policies and priorities for all services, including the County Council's budget. Cabinet is

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 nine 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 and in the Annual Governance Statement which forms part of this document.

The County Council is operationally managed by the Strategic Leadership Team, comprising the Chief Executive, directors from the 3 directorates and the Chief Financial Officer.



Looking ahead and going concern

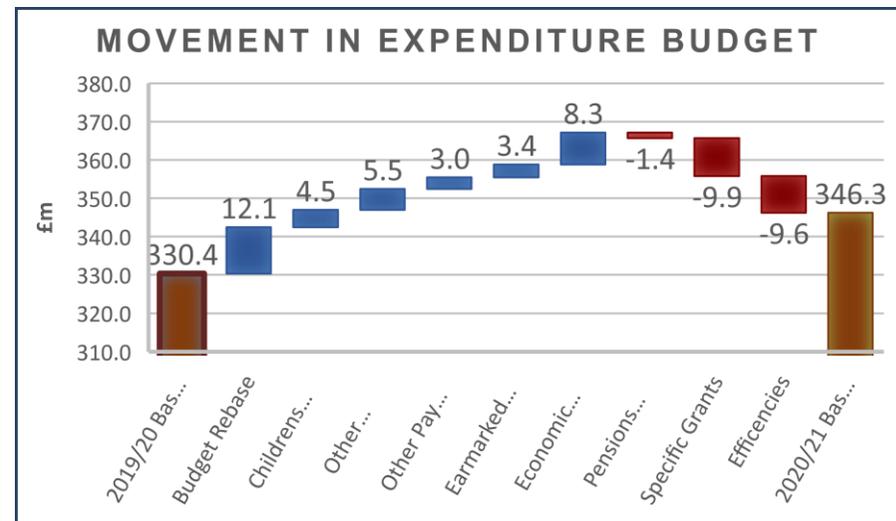
The 2020/21 budget was approved at Council on 13 February 2020, with the detailed proposals presented to Cabinet on 30 January 2020.

This budget and Medium Term Financial Plan was approved before the COVID-19 crises and therefore will need to be reviewed and updated taking into account all Central Government funding to support response activity, together with the impact of additional expenditure and risk of lost income. A review of the Medium Term Financial Plan will be undertaken at the same time. However, at this stage we are assuming that the majority of our costs and lost income will be funded by Government and there will be limited draw on our reserves.

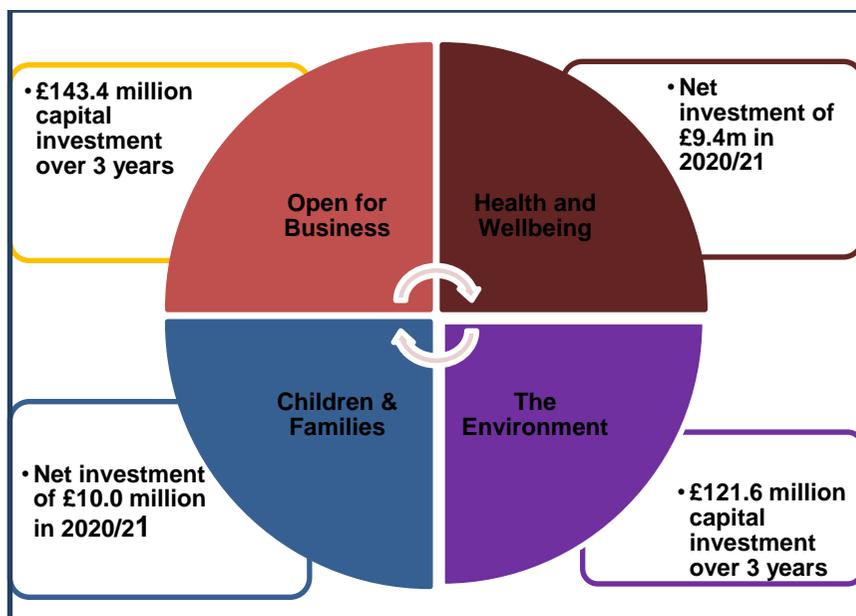
The paragraphs below details of the current budget for 2020/21.

Expenditure

The net revenue budget requirement for 2020/21 is £346.246 million. That is a net £15.856 million more than 2019/20, however to achieve a balanced budget a programme of efficiency, reform and income proposals totalling £9.6 million was approved by Council in February 2020.



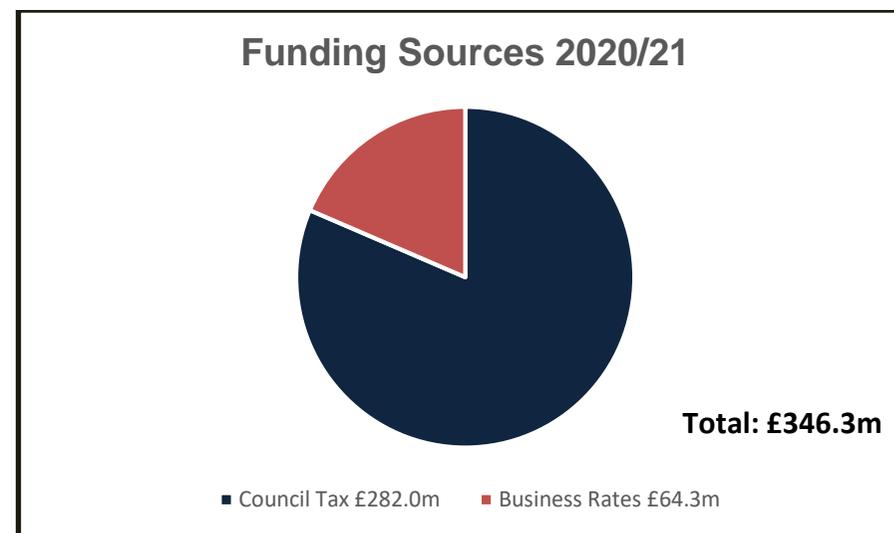
The medium-term financial plan confirms the commitment to continue to resource the Council's Corporate Plan priorities. It includes a capital programme of £338.6 million to deliver regeneration, infrastructure and other changes during 2020-23.



We are supporting this with a commitment to invest £29.0 million to ensure that the County Council is operating efficiently, prepared for the future including more digitally enabled operations, and closer working with our key partners.

Funding

The main sources of the County Council's income are collected locally, with local taxation through Council Tax and the Adult Social Care Precept accounting for 81% of core funding income in 2020/21.



The County Council and its six District Council partners participated in a one-year 75% Business Rates Retention Pilot Scheme in 2019/20 resulting in a total gain of £8.7 million, with £4.9 million of this to be directed to help prevent or reduce the costs of Adults' and Children's social care across the County. In 2020/21, the County Council and six District Councils plus Hereford and Worcester Fire and Rescue Service will form a pool under the allowed 50% Business Rates Retention Scheme which is likely to benefit Worcestershire residents by around £2.8 million.

Medium Term Financial Plan 2020-23

The Medium-Term Financial Plan takes account of the Corporate Plan commitment, the cost of providing our services and current central government funding announcements. Our current assumption, which may need to be reviewed in light of COVID-19, is that there will need to be a total of around £60 million of savings,

reforms and income generation over the period 2020-23, with around £23 million required in 2020/21.

	2020/21	2021/22	2022/23	Total
Medium Term Financial Plan	£000	£000	£000	£000
Funding	346,246	355,782	367,281	1,069,309
Transfer to Reserves	(1,107)			(1,107)
Projected Budget Requirement	345,139	364,029	383,079	1,092,247
Funding Gap (Before Reforms)	0	8,247	15,798	24,045

Worcestershire Children First

The County Council's wholly owned subsidiary Worcestershire Children First (WCF) was successfully launched on 1st October 2019 and operational responsibility for the delivery of all of Children's services on behalf of Worcestershire County Council was transferred on that date. Over 800 staff were TUPE transferred from the County Council to the new company to ensure an efficient transition of services and responsibilities. The Department for Education (DfE) has been informed of the company's progress and performance throughout the transition period, as part of contract monitoring arrangements, and are satisfied with the progress made to date.

The County Council has accounted for the activity of Worcestershire Children First through group accounts and these can be found at pages 142 to 148 in the 2019/20 Statement of Accounts.

EU Exit - The potential impacts of the United Kingdom leaving the European Union

Following a referendum in June 2016, the UK government invoked Article 50 of the Treaty of the European Union, starting the process for the exit from the European Union. The UK left the European Union on 31 January 2020 and there is now a transition period until 31 December 2020 while the UK and the EU negotiate additional arrangements with new rules in respect of trade, travel and business for the UK and EU to take effect from 1 January 2021. There has been minimal impact on the County Council's accounts for 2019/20. We will continue to review the potential impact with our key partners, including our financial advisors, Place Partnership Ltd valuers and the Pension Fund to actively manage any risks arising in the transition period and beyond.

COVID-19

On 11 March 2020, the World Health Organisation (WHO) assessed COVID-19 as a global pandemic and in the UK, on 23 March 2020, the Prime Minister issued instructions to the UK public to stay at home, to protect the NHS and to save lives. The County Council's response included activating the Corporate Emergency Response Framework: setting up our own internal Gold, Silver and Bronze arrangements to meet the COVID-19 response requirements and establishing arrangements with strategic partners across the county to identify how the County Council can preserve continuity and quality of service throughout our communities in this unprecedented time.

The UK Government has issued two grants to local authorities both totalling £1.6 billion, of which the County Council has received £25.5 million in allocation, to contribute towards its cost of response and recovery to COVID-19. Funding of £14.9 million was received on 27 March 2020; £0.4 million has been recognised and used to offset COVID-19 related expenditure in 2019/20; the balance has been treated as a receipt in advance at 31 March 2020 and included in short-term creditors in Note 21 to the accounts.

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 5 June 2020. All known material events that have occurred up to and including this date which relate to 2019/20 or before are reflected in the accounts.

In accordance with Regulation 9(1) of the Accounts and Audit Regulations 2015 (as amended) I certify that the Statement of Accounts 2019/20 provides a true and fair view of the financial position of the County Council at 31 March 2020 and its income and expenditure for the year 2019/20.

**Michael Hudson, Chief
Financial Officer**

In accordance with Regulation 9(2) b of the Accounts and Audit Regulations 2015 (as amended) I certify that the Audit & Governance Committee approved the Statement of Accounts 2019/20 on [xx/xx] 2020.

**Nathan Desmond, Chairman
of the Audit & Governance
Committee**



Worcestershire County Council Statement of Accounts

Introduction to the Statutory Accounts

The Statutory Accounts presents Worcestershire County Council's (the County Council) financial position in line with statutory reporting requirements. The accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) and the Accounts and Audit Regulations 2015 (as amended). The main objective of the Code is to give a true and fair view of the financial position of the County Council, including information about financial position, performance, the results of stewardship of management and any risks and uncertainties.

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.

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.

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.

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 material. Materiality is determined by the nature or magnitude of the disclosure and the potential for the user of the accounts being influenced by any omission. The notes include the relevant accounting policies which explain the basis for the figures included in the accounts and details of relevant estimates and judgements. Any estimations which are likely to lead to a material adjustment in the 2020/21 accounts are evaluated and detailed in the notes.

Group Accounts

Group accounts are presented, in addition to the Council's single entity statements, to provide a full picture of the Council's economic activities and position. The Group Accounts comprise:

- Group Comprehensive Income and Expenditure Statement;
- Group Movement in Reserves Statement;
- Group Balance Sheet; and
- Group Cash Flow Statement.

Comprehensive Income and Expenditure Statement

Restated							
2018/19	2018/19	2018/19		2019/20	2019/20	2019/20	
Expenditure	Income	Net		Expenditure	Income	Net	
£m	£m	£m		£m	£m	£m	Note
Service Expenditure Analysis						3,5,5,6,7,1	
261.2	(116.0)	145.2	People	296.3	(145.3)	151.0	8
349.4	(238.5)	110.9	Children's Services	345.6	(236.7)	108.9	7,3, 8
106.4	(32.4)	74.0	Economy & Infrastructure	92.0	(26.5)	65.5	
61.4	(25.0)	36.4	Commercial & Change	32.9	(1.1)	31.8	
13.2	(11.5)	1.7	Finance, HR & Chief Executive	24.0		24.0	
791.6	(423.4)	368.2	Net Cost of Services	790.8	(409.6)	381.2	
3.9	(1.9)	2.0	Other operating expenditure	10.5	(4.5)	6.0	9
97.4	(32.5)	64.9	Financing, investment income & expenditure	77.9	(30.0)	47.9	10
0.2	(382.7)	(382.5)	Taxation & non-specific grant income and expenditure	0.2	(419.2)	(419.0)	7,2, 11
893.1	(840.5)	52.6	(Surplus) / deficit on the provision of services	879.4	(863.3)	16.1	
Other comprehensive income and expenditure:							
		(11.9)	(Surplus) on revaluation of property, plant & equipment			(26.2)	15.3
		10.5	Downward revaluations on non-current assets charged to Revaluation Reserve			20.6	15.3
		56.4	Actuarial (gains) / losses on pension assets & liabilities			(35.9)	26.2,2
		55.0	Total other comprehensive income and expenditure			(41.5)	
		107.6	Total comprehensive income and expenditure (surplus)/deficit			(25.4)	

Movement in Reserves Statement 2019/20

	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 2019	12.2	81.5	93.7	0.1	41.1	134.9	(66.6)	68.3
Movement in reserves during 2019/20:								
Total Comprehensive Income and Expenditure	(16.1)		(16.1)			(16.1)	41.5	25.4
Adjustments between accounting basis & funding basis under regulations (Note 12)	16.1	(5.2)	10.9	(0.1)	14.8	25.6	(25.6)	
Increase / (decrease) in 2019/20		(5.2)	(5.2)	(0.1)	14.8	9.5	15.9	25.4
Balance at 31 March 2020 carried forward	12.2	76.3	88.5		55.9	144.4	(50.7)	93.7
Note Reference		13.1				13	14	

Movement in Reserves Statement 2018/19 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 2018	12.2	84.4	96.6	4.8	34.9	136.3	39.6	175.9
Movement in reserves during 2018/19:								
Total Comprehensive Income and Expenditure	(52.6)		(52.6)			(52.6)	(55.0)	(107.6)
Adjustments between accounting basis & funding basis under regulations (Note 12)	52.6	(2.9)	49.7	(4.7)	6.2	51.2	(51.2)	
Increase / (decrease) in 2018/19		(2.9)	(2.9)	(4.7)	6.2	(1.4)	(106.2)	(107.6)
Balance at 31 March 2019 carried forward	12.2	81.5	93.7	0.1	41.1	134.9	(66.6)	68.3
Note Reference		13.1				13	14	

Balance Sheet

31 March 2019		31 March 2020	
£m		£m	Note
1,052.5	Property, plant and equipment	1,070.7	15,16
1.7	Heritage assets	1.7	
4.0	Intangible assets	5.4	
3.0	Long-term investments	3.0	17,18
119.6	Long-term debtors	115.9	19
1,180.8	Long term assets	1,196.7	
8.3	Non-Operational Assets	7.6	15.8
7.1	Short-term investments	5.0	
1.2	Inventories	1.2	
56.2	Short-term debtors	93.9	19
38.1	Cash and cash equivalents	71.6	20
110.9	Current assets	179.3	
(57.4)	Short-term borrowing	(39.4)	17
(81.4)	Short-term creditors	(115.1)	21
(138.8)	Current liabilities	(154.5)	

31 March 2019		31 March 2020	
£m		£m	Note
(0.3)	Long Term Creditors		22
(3.2)	Long-term provisions	(7.6)	
(409.3)	Long-term borrowing	(435.9)	17
(646.9)	Other long-term liabilities	(654.9)	22
(24.9)	Grants receipts in advance	(29.4)	23
(1,084.6)	Long-term liabilities	(1,127.8)	
68.3	Net assets	93.7	
Financed by:			
134.9	Usable reserves	144.4	13
(66.6)	Unusable reserves	(50.7)	14
68.3	Total reserves	93.7	

Cash Flow Statement

2018/19	2019/20	
£m	£m	Note
(52.6) Net surplus/(deficit) on the provision of services	(16.1)	
137.3 Adjust net (surplus)/deficit for non-cash movements	126.0	
(61.7) Adjust for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities	(87.5)	
23.0 Net cash flows from operating activities	22.4	24.1
(22.9) Net cash flows from investing activities	8.3	24.2
22.6 Net cash flows from financing activities	2.8	24.3
22.7 Net increase/(decrease) in cash or cash equivalents	33.5	
Cash and cash equivalents		20
15.4 Balance at 1 April	38.1	
38.1 Balance at 31 March	71.6	
22.7 Movement in cash and cash equivalents increase / (decrease)	33.5	



Worcestershire County Council Group Accounts

Group Accounts and Supporting Notes

Group Accounts

Introduction

In order to provide a fuller picture of the Council's economic activities and financial position, the accounting statements of the Council and Worcestershire Children First have been consolidated.

The Group Accounts are presented in addition to the Council's 'single entity' financial statements and comprise:

- Group Comprehensive Income and Expenditure Statement;
- Group Movement in Reserves Statement;
- Group Balance Sheet; and
- Group Cash Flow Statement.

These statements are set out on the following pages, together with accompanying disclosure notes. Disclosure notes have only been included in the group accounts where they are materially different from those of the Council's single entity accounts.

Results of Subsidiary

Worcestershire Children First

The County Council's wholly owned subsidiary Worcestershire Children First (WCF) was successfully launched on 1st October 2019 and operational responsibility for the delivery of all of Children's services on behalf of Worcestershire County Council was transferred on that date.

For 2019/20, the company's results showed a profit for the year of £0.5 million and net assets of £0.5 million.

A full copy of the company's accounts can be obtained from the Directors, Worcestershire Children First, County Hall, Spetchley Road, Worcester WR5 2NP. The accounts are audited by Grant Thornton (UK) LLP.

Group Comprehensive Income and Expenditure Statement

	2019/20	2019/20	2019/20
	Expenditure	Income	Net
	£m	£m	£m
People	296.3	(145.3)	151.0
Children's Services	341.7	(233.4)	108.3
Economy & Infrastructure	92.0	(26.5)	65.5
Commercial & Change	32.9	(1.1)	31.8
Finance, HR & Chief Executive	24.0		24.0
Net Cost of Services	786.9	(406.3)	380.6
Other operating expenditure	10.5	(4.5)	6.0
Financing, investment income & expenditure	77.9	(30.0)	47.9
Taxation & non-specific grant income and expenditure	0.2	(419.2)	(419.0)
(Surplus) / deficit on the provision of services	875.5	(860.0)	15.5
Tax expenses of subsidiary	0.1		0.1
Group (surplus) / deficit	875.6	(860.0)	15.6
Other comprehensive income and expenditure:			
(Surplus) on revaluation of property, plant & equipment			(26.2)
Downward revaluations on non-current assets charged to Revaluation Reserve			20.6
Actuarial (gains) / losses on pension assets & liabilities			(35.9)
Total other comprehensive income and expenditure			(41.5)
Total comprehensive income and expenditure (surplus)/deficit			(25.9)

Group Movement in Reserves Statement 2019/20

	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 Council Reserves	Council's Share of Reserves of subsidiary	Total Reserves attributable to Council
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 31 March 2019	12.2	81.5	93.7	0.1	41.1	134.9	(66.6)	68.3		68.3
Movement in reserves during 2019/20:										
Total Comprehensive Income and Expenditure	35.5		35.5			35.5	41.5	77.0	0.5	77.5
Adjustments between group accounts and authority accounts	(51.6)		(51.6)			(51.6)		(51.6)		(51.6)
Net increase/ (decrease) before transfers	(16.1)		(16.1)			(16.1)	41.5	25.4	0.5	25.9
Adjustments between accounting basis and funding basis under regulations	16.1	(5.2)	10.9	(0.1)	14.8	25.6	(25.6)			

	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 Council Reserves	Council's Share of Reserves of subsidiary	Total Reserves attributable to Council
Increase / (decrease) in 2019/20		(5.2)	(5.2)	(0.1)	14.8	9.5	15.9	25.4	0.5	25.9
Balance at 31 March 2020 carried forward	12.2	76.3	88.5		55.9	144.4	(50.7)	93.7	0.5	94.2

Adjustments between Group Accounts and Authority Accounts in the Group Movement in Reserves Statement

	2019/20
	General Fund Total
	£m
Removal of intercompany transactions	51.6
Total adjustments between Group Accounts and Authority Accounts	51.6

Group Balance Sheet

	31 March 2020		31 March 2020
	£m		£m
Property, plant and equipment	1,070.7	Long Term Creditors	
Heritage assets	1.7	Long-term provisions	(7.6)
Intangible assets	5.4	Long-term borrowing	(435.9)
Long-term investments	3.0	Other long-term liabilities	(654.9)
Long-term debtors	115.9	Grants receipts in advance	(29.4)
Long term assets	1,196.7	Long-term liabilities	(1,127.8)
Non-Operational Assets	7.6	Net assets	94.2
Short-term investments	5.0		
Inventories	1.2	Financed by:	
Short-term debtors	89.1	Usable reserves	144.9
Cash and cash equivalents	78.2	Unusable reserves	(50.7)
Current assets	181.1	Total reserves	94.2
Short-term borrowing	(39.4)		
Short-term creditors	(116.4)		
Current liabilities	(155.8)		

Group Cash Flow Statement

	2019/20	
	£m	Note
Net surplus/(deficit) on the provision of services	(15.6)	
Adjust net (surplus)/deficit for non-cash movements	129.7	
Adjust for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities	(87.5)	
Net cash flows from operating activities	26.6	
Net cash flows from investing activities	8.3	
Net cash flows from financing activities	2.8	
Net increase/(decrease) in cash or cash equivalents	37.7	
Cash and cash equivalents		
Balance at 1 April	38.1	
Balance at 31 March	78.2	
Movement in cash and cash equivalents increase / (decrease)	40.1	