

2020 /

2021



**Annual Financial Report
and Statement of
Accounts**

EXTRACT

Worcestershire County Council

Leader's Introduction

The 2020/21 financial year was an exceptional year, and we could not have achieved everything we have without the support and help from our partners and staff. Across the county we came together as One Worcestershire to respond to the challenges of the national pandemic and I would like to thank all of our partners and our communities for their enormous effort.

As a County Council we have spent £88 million on that response and recovery, that has seen us:

- oversee the establishment and staffing of 7 test centres, providing 27,000 community Lateral Flow Tests in year, and ensured over 600,000 tests in schools and over 1,000 for local businesses
- provide £14.8 million to our care providers to help them protect residents and staff
- deliver nearly 3,500 food parcels through our Here2Help Services, with over 5,200 requests for help answered

COVID-19: Five steps to look after yourself and others



- issue over two million PPE items to staff and partners
- provide £3 million to businesses to enable them to start to recover
- provide £250,000 to fund laptops to schools and poorer families
- provide over 2,600 offers of support to those clinically extremely vulnerable in our communities



- enable social workers to move to seven day working to aid hospital discharge
- support our local bus operators to maintain services to the public and schools
- set aside £0.8 million to help those residents in financial hardship pay their council tax
- work with our districts to protect rough sleepers, providing £0.7 million to provide additional accommodation
- services such as our libraries see a 90% increase in digital issues / lending.

The pandemic is of course on-going, and whilst we are currently seeing fantastic rates of vaccination in the County and falling cases, we will continue to manage and respond to the pandemic for a while yet. We are also turning our attention to the short-term recovery and longer-term legacy impact that may follow and there is no doubt this will continue to be a significant challenge for us during 2021/22 and beyond.

Alongside dealing with COVID-19, our councillors and staff worked tirelessly to deliver a full complement of services and improve our County. We maintained strong financial control ending the year returning a £0.783 million underspend, that is within 0.2% of our budget. Some notable successes included:

- Securing £12 million Getting Building Fund to boost our local economy.
- The opening the improved Kidderminster station in June 2020, and the purchase of land at Shrub Hill to develop the area and rail network.
- Significant progress on the Worcester Southern Link Road, A38 around Bromsgrove, Pershore Northern Link Road as well as several Town Centre improvements including Stourport and Kidderminster.
- 97% of premises now have access to 24 Mbps+ Superfast Broadband following our improvement programme, that has proved invaluable during COVID, and we have secured £2.5 million of Rural Gigabit vouchers to improve this further.
- Carried out over 200 kilometres of highway schemes and 70 kilometres footway schemes
- Working with our District Council partners on their Future High Streets Fund and Town Fund plans

- Despite significant increased demand 97% of Children’s social work assessments were completed within time meaning Worcestershire has maintained its position as the top performing local authority in the region, with the highest number of court cases being complete in timescales.
- Worcestershire Children First were also ranked the best employer in the region by the Local Government Association when measured against social work standards.

The Council has also committed to reducing its own operational greenhouse gases, and actions saw a 40% reduction in 2020/21. Our improvement in street lighting meant our energy fell by 7.6%. The Council’s Diamond Leaf project, to plant 150,000 trees in partnership with the Woodland Trust was accepted as one of the Queen’s Platinum anniversary celebrations.



All this success is an amazing achievement and I would like to thank all councillors, staff and partners for that achievement and their tireless work over the last 12 months.

Looking forward to 2021/22, under our newly returned Administration we will be continuing our Covid-19 response & recovery and later in the year formulating a new Corporate Plan for 2022-2027 supported by a revised medium-term financial plan which will continue to put at the heart the need to focus on 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 third year as Chief Executive brought an unprecedented year in all our lives. We have seen our staff change how and where they work from, with teams working long hours to ensure we have been able to effectively respond to the pandemic. I would therefore like to start by thanking all staff who have worked tirelessly throughout 2020/21 under difficult circumstances, making a real difference to people's lives. Our Public Health team lead by our Director of Public Health, Kath Cobain have been at the forefront of our efforts to protect the health of the Worcestershire population.



Dr Kathryn Cobain,
Director of Public Health

The Leader's Foreword covers many of the outputs for our residents and businesses, behind that our teams have ensured that ongoing services could be delivered working mainly from home. We saw a significant investment in IT through improvements in our broadband, servers and software including a full rollout of Windows10, Office 365 and a new social work case management system, that enabled us to do this with very little disruption to our performance. Our IT team have done an amazing job in getting us to this position and we are seeing that they are being recognised nationally for their excellent work.

We saw the majority of our buildings closed during lockdown with income lost in services such as libraries and museums. Thankfully

Government did provide additional funding that has enabled us to deliver our budget. However, we also saw savings arising from our new ways of working, in particular a £0.8 million reduction, or c250,000 miles, in our travel and carbon footprint.

Going forward our main tasks are to focus on Covid recovery and work smarter. We have already started to deliver recovery plans with significant effort going in to supporting the economy, health and partners through grants and support. In reality this is likely to continue for some time and it is vital therefore that we address the ways we work and we maintain an agile and healthy workforce. As such we are investing in smarter ways of working that will enable our staff to work from where it is best to deliver our business and meet the needs of our residents. That could mean great use of video conferencing and our website, both have been tremendously effective during Covid, in particular Here2Help.



Whilst it may have felt that 2020/21 was all about Covid there was also a lot going on and I am equally proud of the staff for the excellent delivery of services whilst managing dealing with the pandemic.

Our Economy & Infrastructure teams have continued to work through flooding and heatwaves to ensure the highways network remains one of the best maintained in the Country. This year has seen more work completed expanding both our key routes such as the Southern Link Road but also cycling and walk ways such as Sabrina Bridge.

Our Adult's services successfully rolled out its Community Reablement Service and Home First across the whole County, ensuring people are able to be supported to live longer and well in their own homes. Something again that supported how well we have responded to COVID-19.

We also invested over £5.5 million in preventative programmes in 2020/21 through additional business rates. Scheme such as Housing First, Dementia Centres and Ticket to Ride have started to be piloted across the County with our partners to assess how they could reduce future pressure on children and adult's social care. The relationships and processes developed through this programme of change were also invaluable in reacting quickly when the pandemic started.

Worcestershire Children First successfully completed their first full financial year with a £0.6 million surplus. Having managed a significant increase in demand for support and protection the service has continued to meet all its contractual performance targets, as well as insourcing school improvement and SEND support services.



The One Worcestershire brand has been used across the County, providing a coherent brand for key messages and communications. This will form a strong bedrock going forward and support our local economy as we seek to attract jobs and tourism.



During 2020/21 we also made a number of changes to the way we run our back offices with the insourcing of a number of functions including Property and Facilities Management, and financial transactions. Having greater control of these services in the coming years will help us deliver changes and savings.

Looking forward we have a strong financial base going into 2021/22 with a balanced budget and we will now start to refresh our corporate plan to deal with what the future brings.

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.

In a year of significant and unprecedented challenges for the residents and businesses of Worcestershire, the Council has played a vital role in managing the health and economic effects of both the COVID-19 pandemic and resulting national lockdowns; providing additional services and financial support to help the community and those in need.

Despite these additional challenges in 2020/21, the County Council achieved a small underspend of £0.8 million against its £346.2 million budget.

Through robust financial monitoring and prompt management action to allocate resources, we have ensured that additional costs and loss of income arising from the impact of the COVID-19 pandemic have not had an adverse impact on the outturn position at 31 March 2021. The outturn position by directorate is given below:

Service area	Budget £m	Outturn £m	Variance £m
People – Adults	130.863	130.261	(0.602)
People – Communities	19.008	18.444	(0.564)
People – Public Health	1.762	1.833	0.071
Children’s Services/WCF	101.540	101.427	(0.113)
Economy & Infrastructure	55.924	55.913	(0.011)
Commercial & Change	6.954	6.309	(0.645)
Chief Executive/HR	1.005	0.475	(0.530)
Sub Total: Services	317.056	314.662	(2.364)
Non-Assigned	(1.692)	(1.762)	(0.070)
Finance /Corporate Items	30.887	32.568	1.681
Total	346.251	345.468	(0.783)

School Balances overall increased by £2.5 million during the year to a net surplus of £3.9 million. This net position comprises 32 schools in deficit (£10.2 million) and 91 schools in surplus (£14.1 million). 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 £6.5 million (£6.2 million deficit at 31 March 2020) and this will be carried forward and offset against future DSG income.

COVID-19 Pandemic

The Council received additional funding of £87.7 million from Central Government to support the residents and businesses of Worcestershire during 2020/21 with £74.0 million of these funds spent to provide vital and urgent aid across the county. Committed funds of £13.7 million have been carried forward to 2021/22 to cover ongoing response and recovery operations.

To support vulnerable individuals in Worcestershire through the pandemic, the Council established the Here2Help Community Action Scheme which delivered a range of support to more than 3,500 individuals: supplying emergency food parcels, medication collection and assistance with essential shopping. Here2Help will continue to develop its offering in 2021/22 working with the voluntary sector, partner organisations and residents and communities.

The Council's commitment to its role in fighting the virus saw the establishment of 6 testing sites and 5 dedicated vaccination centres across the county; performing 499,297 rapid lateral flow tests and administering 323,204 first doses of the vaccine in the period to the end of March 2021. We provided support to Worcestershire's schools during the pandemic; distributing laptops and electronic devices, providing free school meals and we ensured the safety of our staff and communities through the delivery of over 2 million items of personal protective equipment (PPE).

To assist local businesses in their response, we launched the Here2Help Business Programme to provide grant funding and business advice to support local businesses to recover, adapt, develop and ensure future resilience as lockdown measures continue to ease.

To relieve the financial pressure faced by individuals and businesses, the Council suspended its debt collection activity for 3 months during the initial lockdown period, with a resulting increase in our overall debt position. In response, we have increased our bad debt provision by £2.8 million and will continue to review this in 2021/22.

This reflects a change in activity in response to local needs and it is expected that an improvement in performance will be reported in 2021/22 once planned activity resumes. As part of our Finance Improvement Programme, the centralisation of income management and debt collection procedures will ensure that progress continues in 2021/22.

We have taken appropriate measures to ensure that valuations of our assets and investments are robust, noting that they remain subject to a degree of uncertainty as the economy recovers and stabilises following the pandemic. This equally will apply to our Pension fund investments.

Looking forward, there continues to be uncertainty regarding the scale and extent of the pandemic and its impact upon the demand for our services, particularly in social care, our income and funding levels and additional cost pressures as we continue to respond and recover.

The Council has adopted a prudent approach to the management of reserve balances. We will review our medium-term financial plan, taking account of the need to support the most vulnerable individuals in society by identifying savings and reductions in spend and increasing income to improve outcomes for the residents and businesses of Worcestershire. To meet the challenges facing the county, it is imperative that we continue to put effective financial governance and competence at the core of decision making to deliver a strong, resilient and sustainable financial position.

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

Further in-depth highlights of the 2020/21 Statement of Accounts are contained in the Finance and Performance Review section below.



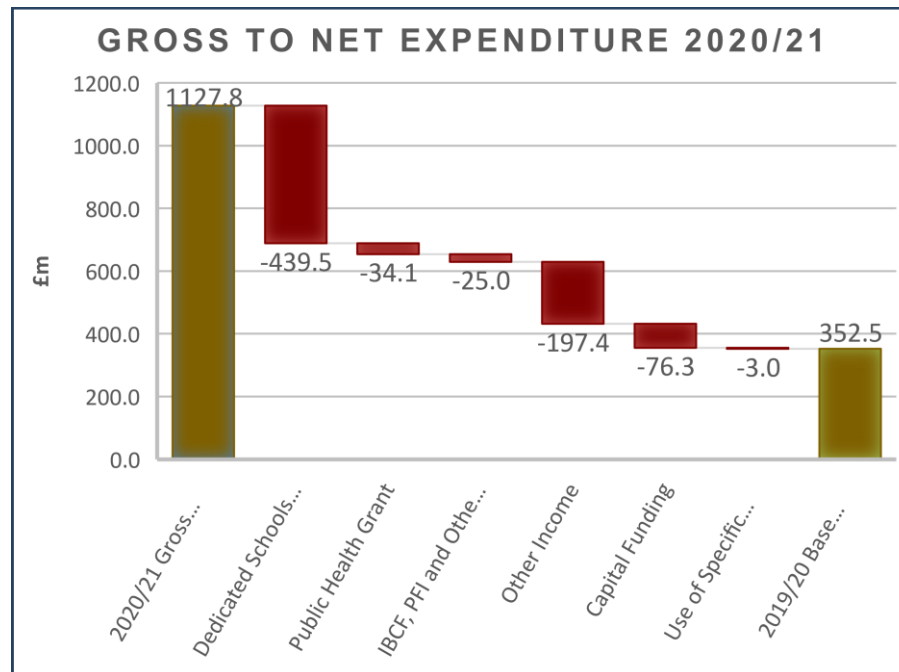
Michael Hudson LLB (Hons), LLM, CPFA

Chief Financial Officer

Finance and Performance Review

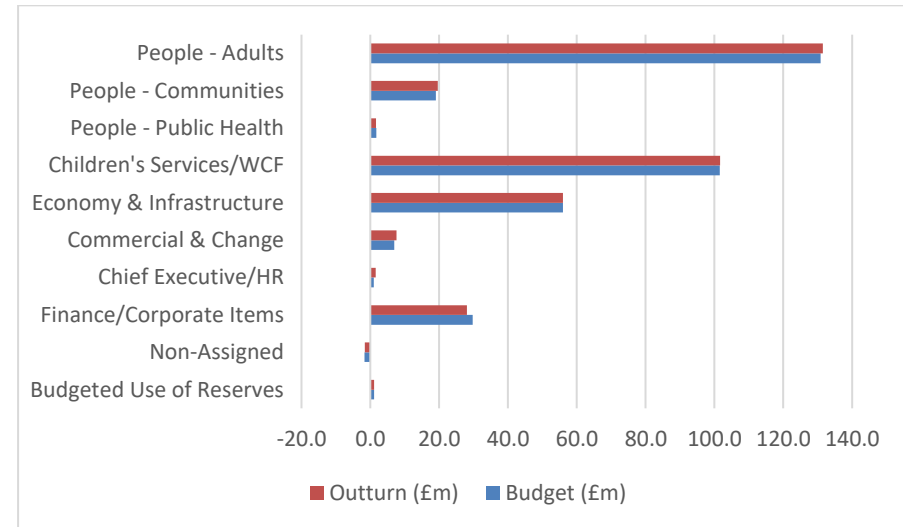
2020/21 Financial performance

The County Council net budget for 2020/21 was £346.251 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 underspent it's £346.2 million budget by £0.8 million (0.2%) in 2020/21, with pressures in People and Children's Services largely offset by underspends in Economy and Infrastructure and Commercial and Change Services and

optimising use of COVID-19 grant funding received during the year. The graph below gives details of the outturn position by directorate.



Significant management action has been undertaken in year to maintain services whilst responding to the national pandemic, which included manage cost pressures and variations in demand. The key financial and performance for each directorate is drawn out in the following paragraphs.

People Services - Adults

As reported and forecast during 2020/21 the Adult Social Care service delivered a small underspend of £0.6 million against its £130.9 million budget. This underspend has been achieved through the efficient use of COVID grants including infection

control, sales fees and charges and the general COVID grant, claims from the CCG hospital discharge grant and a reduction in client numbers in the year as a result of COVID.

People Services – Communities

The Communities budget returned a £0.6 million underspend largely as a result of reduced spend in library services and the application of grant income to fund staff redeployed to activities linked to COVID recovery.

Children’s Services

The Council’s Children’s Services budget achieved a small underspend of £0.1 million for 2020/21.

Children’s social care placements demand and costs continued to increase in 2020/21, resulting in an overspend of £3.2 million largely attributable to increases in both the number of placements and their costs during the year. This was offset by favourable variances in safeguarding services and staffing underspends.

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 2021 is £6.5 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 a small underspend of £0.01 million on its £55.9 million budget after COVID adjustments. The most

significant variances from budget include overspends in Planning and Regulation and Operations and Highways budgets, offset by underspends in Transport due to reduced patronage and additional income from streetworks and permits.

Commercial and Change

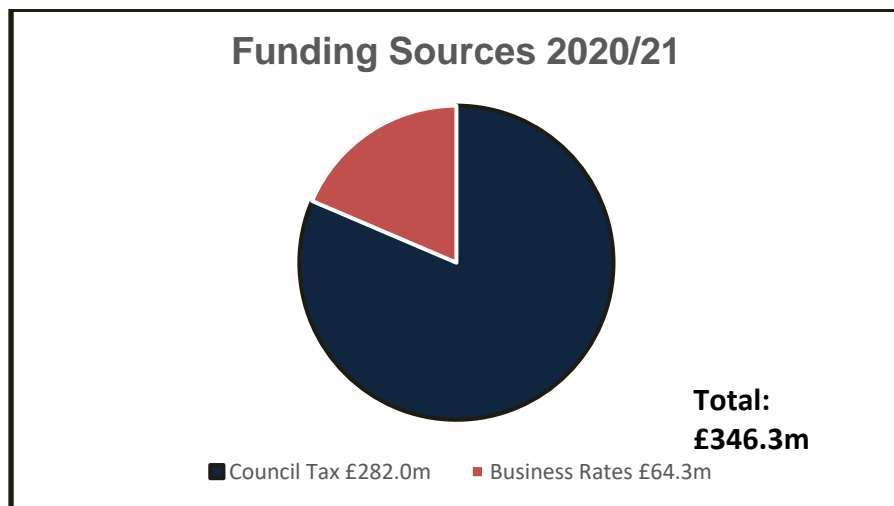
The directorate has delivered an underspend of £0.6 million (9% of its budget) as a result of reduced contract expenditure and underspend on additional works for administrative buildings.

Finance, HR & Chief Executive

Finance and Corporate budgets achieved a total underspend of £9 million mainly as a result of reduced borrowing costs following the deferral of borrowing due to COVID and the prudent management of cash balances, withholding expenditure from the Council’s contingency budget, and reduced employer’s pension costs. This has enabled the Council to increase contributions to Earmarked Reserves for Education & High Needs and Waste PFI Contract obligations.

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 £1,311.05, which includes £116.04 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 £18.0 million in 2020/21. We have disposed of £16.9 million of assets, including 5 schools which have converted to academy status during 2020/21 resulting in a £8.6 million reduction to the Council's assets at nil consideration.

We secured £3.3 million of capital receipts which have helped us manage our borrowing requirement and fund transformation. At the same time, we are reporting a further £5.7 million of assets held for sale.

The County Council's pensions liabilities have increased by £219.2 million. Of this, £217.6 million relates to an actuarial loss from changes in financial assumptions surrounding discount rates and CPI inflation; in line with actuarial assumptions.

The suspension of debt collection activity for 3 months during the initial lockdown period resulted in an increase in our overall debt position. 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 report 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 2021, we have increased our impairment allowance by £2.8 million: comprising trade debtors by £1.6 million with a further £1.2 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 2021 and has applied a professional judgement to reflect the additional risk.

Whilst performance in respect of our time to pay creditors continues to be high (98% 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 2021 by £17.9 million is mainly related to the timing of payments at the year end.

Our earmarked and other usable reserves have increased over the year by £57.3 million to £201.7 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.

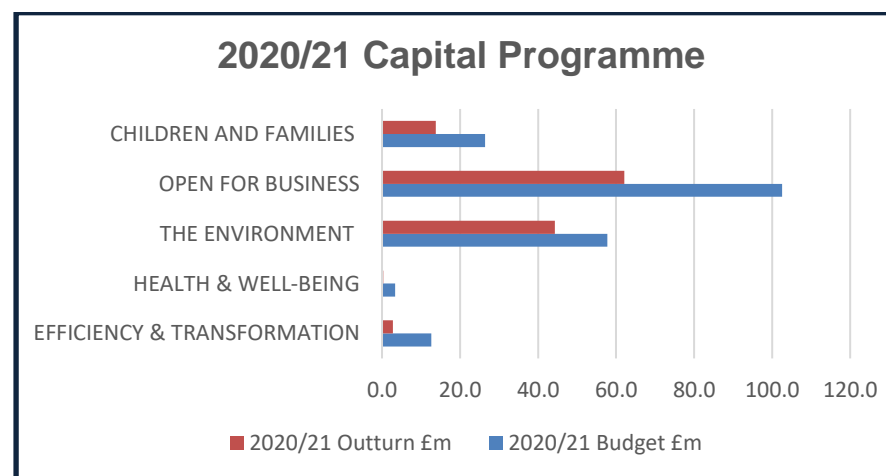
Financial risks and our reserves

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 2021 increased by £0.8 million to £13.0 million. Looking forward, the total resources available are £114.7 million, as noted in the table below:

	Balance at 31 March 2020	Transfers out	Transfers in	Balance at 31 March 2021
	£m	£m	£m	£m
Directorate Reserves	28.1	-4.0	23.8	47.9
Grant Reserves	10.9	-0.2	6.6	17.3
Corporate Funding/Insurance	32.6	-27.1	26.2	31.7
Schools Reserves	1.4	-1.4	4.0	4.0
Dedicated School Grant	-6.2	0.0	6.2	0.0
PFI Reserves	9.5	-0.5	4.8	13.8
Total	76.3	-33.2	71.6	114.7

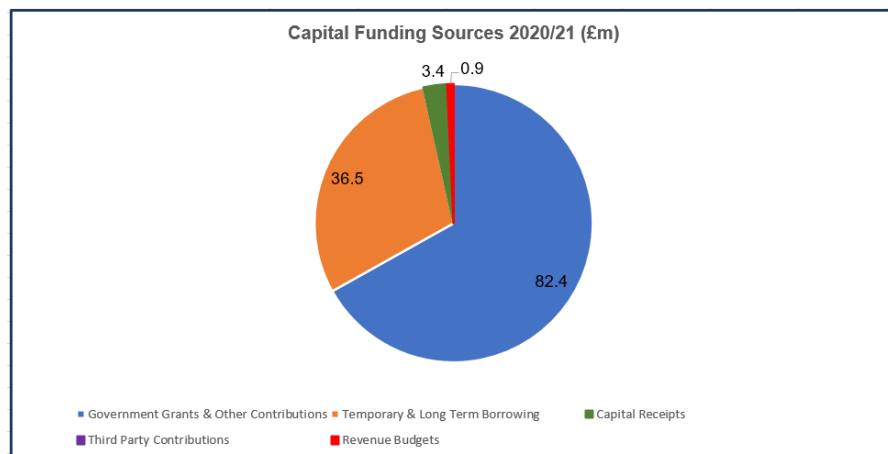
Capital Programme

The capital programme for 2020/21 to 2022/23 and beyond totals £287.9 million, with £77.1 million in 2021/22. Expenditure is most significant in the Economy & Infrastructure Directorate which includes infrastructure support for Open for Business priorities.



The more significant schemes include walking and cycling initiatives and road resurfacing works across the whole County area, and specific improvements around A38 Bromsgrove, Pershore northern access, Worcester Shrub Hill and Kidderminster station improvements and Holyoakes Field First School Redditch relocation.

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 increased by £30.8 million and our long-term borrowing has increased by £21.7 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, moving towards financial self-sufficiency and encouraging those individuals, families and communities who can 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:

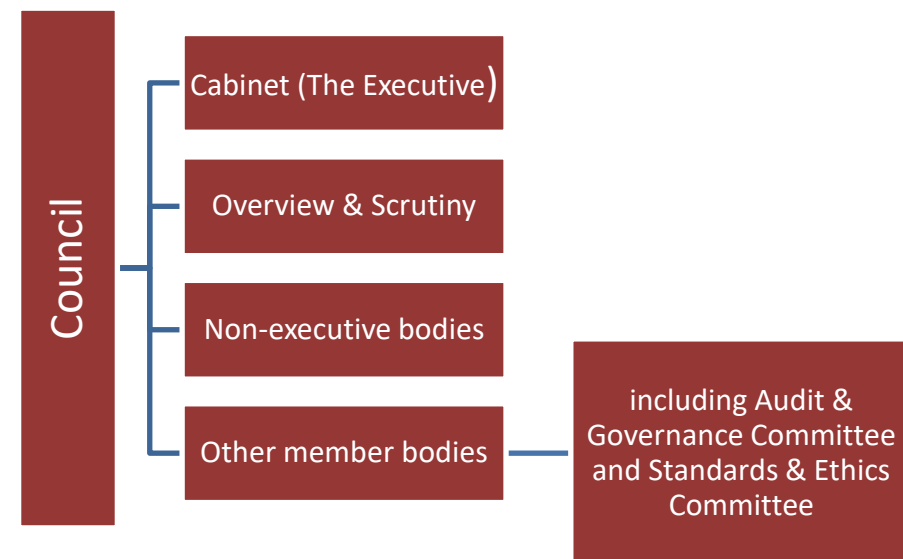
- Safeguarding vulnerable young people, particularly those in or leaving care to ensure they are safe and can make the most of the opportunities they have
- Protecting vulnerable older people, particularly those with physical, learning and mental health difficulties
- Maintenance of the highway.

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.

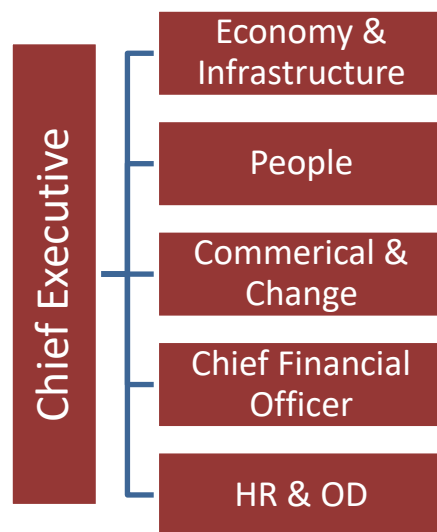
Full Council meetings are held regularly throughout the year. Council is responsible for agreeing the main policies and priorities for all services, including the County Council's budget. Cabinet is

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 2021/22 budget was approved at Council on 18 February 2021 with the detailed proposals presented to Cabinet on 4 February 2021.

This budget and Medium Term Financial Plan was approved during the COVID-19 pandemic which has meant that there is an increased amount of financial uncertainty whilst we await notification of future funding levels from Central Government. The impact on the Council Tax and Business Rates funding baselines are difficult to predict although it is welcome that Government will fund a proportion of income losses to reduce the impact on Councils.

The May 2021 local elections will mean the Council will soon have a new Corporate Plan considering national and local economic recovery, alongside confirmation of the extent of any increased cost pressures or reductions in income.

The Council's Earmarked Reserves and General Fund Balance remain healthy and plans for 2021/22 are robust.

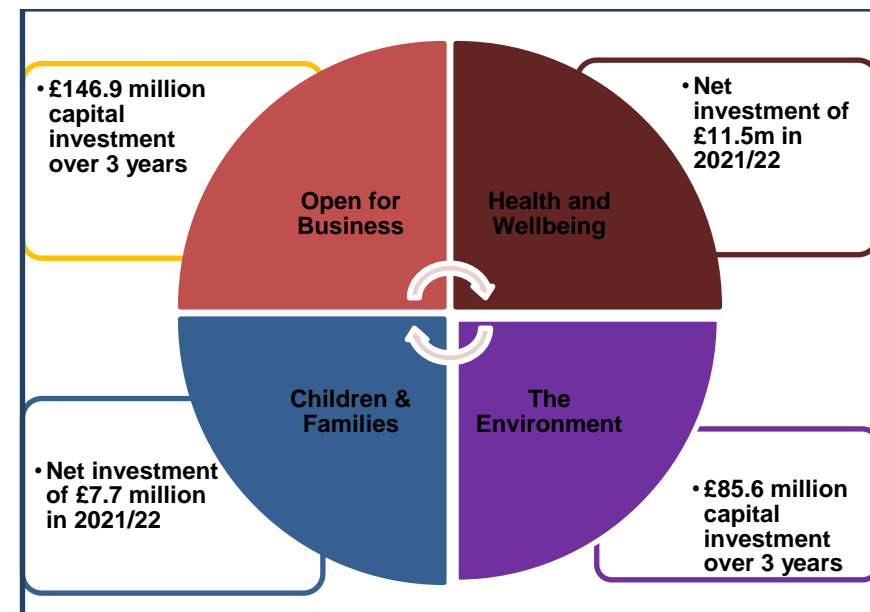
The paragraphs below details of the current budget for 2021/22.

Expenditure

The net revenue budget requirement for 2021/22 is £355.531 million. That is a net £10.4 million more than 2020/21, however to achieve a balanced budget a programme of efficiency, reform and income proposals totalling £7.1 million and a £3.0 million withdrawal from Earmarked Reserves was approved by Council in February

2021.

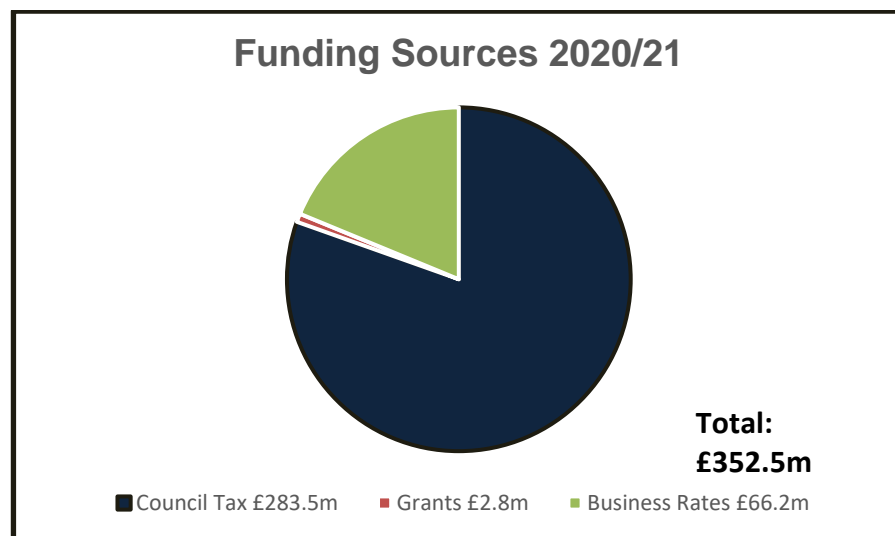
The Medium Term Financial Plan confirms the commitment to continue to resource the Council's Corporate Plan priorities. It includes a capital programme of £391.6 million to deliver regeneration, infrastructure and other changes during 2021-23.



We are supporting this with a commitment to invest £23.2 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 80% of core funding income in 2021/22.



The County Council, its six District Council partners and Hereford and Worcester Fire and Rescue Service participated in a Business Rates Retention Pilot Scheme in 2020/21 resulting in a total gain of £1.7 million. In 2021/22, 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 £3.0 million.

Medium Term Financial Plan 2021-24

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 assumptions will need to be updated in light of COVID-19 and likely levels of Central Government funding and local taxation income.

Worcestershire Children First

The County Council's wholly owned subsidiary Worcestershire Children First (WCF) which was launched on 1st October 2019 has successfully completed its first full year of trading and has returned a surplus of £0.6 million whilst achieving its savings and performance targets.

The County Council has accounted for the activity of Worcestershire Children First through group accounts and these can be found at pages X to X in the 2020/21 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 new rules in respect of trade, travel and business for the UK and EU took effect from 1 January 2021. There has been minimal impact on the County Council's accounts for 2020/21. We will continue to review the potential impact with our key partners, including our financial advisors, fixed asset valuers and the Pension Fund to actively manage any risks arising in the transition period and beyond.

COVID-19

The Government has continued to issue grants to local government to support recovery activity into 2021/22 and the Council will continue to work with partners, suppliers and Health colleagues to ensure initial financial support is allocated to where it is most needed.

The recurrent nature of the impact of the pandemic is still being understood and will be included in the Council's revised Medium Term Financial Plan for 2022/23 and later.

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 XX/XX 2021. All known material events that have occurred up to and including this date which relate to 2020/21 or before are reflected in the accounts.

In accordance with Regulation 9(1) of the Accounts and Audit Regulations 2015 I certify that the Statement of Accounts 2020/21 provides a true and fair view of the financial position of the County Council at 31 March 2021 and its income and expenditure for the year 2020/21.

**Michael Hudson, Chief
Financial Officer**

In accordance with Regulation 9(2) b of the Accounts and Audit Regulations 2015 I certify that the Audit & Governance Committee approved the Statement of Accounts 2020/21 on XX/XX 2021.

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

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 2020/21 (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.

Comprehensive Income and Expenditure Statement

2019/20	2019/20	2019/20		2020/21	2020/21	2020/21
Expenditure	Income	Net		Expenditure	Income	Net
£m	£m	£m		£m	£m	£m
Service Expenditure Analysis						
296.3	(145.3)	151.0	People	327.7	(194.2)	133.5
345.6	(236.7)	108.9	Children's Services	405.1	(289.1)	116.0
92.0	(26.5)	65.5	Economy & Infrastructure	100.9	(29.0)	71.9
32.9	(1.1)	31.8	Commercial & Change	39.0	(9.9)	29.1
28.5	(4.5)	24.0	Finance, HR & Chief Executive	51.4	(5.6)	45.8
795.3	(414.1)	381.2	Net Cost of Services	924.1	(527.8)	396.3
10.5	(4.5)	6.0	Other operating expenditure	3.9	(1.4)	2.5
77.9	(30.0)	47.9	Financing, investment income & expenditure	69.6	(30.3)	39.3
0.2	(419.2)	(419.0)	Taxation & non-specific grant income and expenditure	0.3	(467.3)	(467.0)
883.9	(867.8)	16.1	(Surplus) / deficit on the provision of services	997.9	(1,026.8)	(28.9)
Other comprehensive income and expenditure:						
		(26.2)	(Surplus) on revaluation of property, plant & equipment			(23.0)
		20.6	Downward revaluations on non-current assets charged to Revaluation Reserve			22.3
		(35.9)	Actuarial (gains) / losses on pension assets & liabilities			1.7
		(41.5)	Taxation & non-specific grant income and expenditure			1.0
		(25.4)	(Surplus) / deficit on the provision of services			(27.9)

Balance Sheet

31 March 2020		31 March 2021
£m		£m
1,070.7	Property, plant and equipment	1,088.7
1.7	Heritage assets	1.7
-	Investment property	11.9
5.4	Intangible assets	4.0
3.0	Long-term investments	3.0
115.9	Long-term debtors	108.6
1,196.7	Long term assets	1,217.9
7.6	Non-Operational Assets	5.7
5.0	Short-term investments	35.2
1.2	Inventories	1.4
93.9	Short-term debtors	103.8
71.6	Cash and cash equivalents	67.3
179.3	Current assets	213.4
(39.4)	Short-term borrowing	(70.2)
(115.1)	Short-term creditors	(145.2)
(154.5)	Current liabilities	(215.4)

31 March 2020		31 March 2021
£m		£m
(7.6)	Long-term provisions	(2.6)
(435.9)	Long-term borrowing	(457.6)
(654.9)	Other long-term liabilities	(609.3)
(29.4)	Grants receipts in advance	(24.8)
(1,127.8)	Long-term liabilities	(1,094.3)
93.7	Net assets	121.6
Financed by:		
144.4	Usable reserves	201.7
(50.7)	Unusable reserves	(80.1)
93.7	Total reserves	121.6

