

Worcestershire County Council

Financial Accounts 2014/15

Contents

	Page
Statement of Responsibilities, Issue and Approval Date	2
Personal Assurance Statement of the Chief Financial Officer	3
Explanatory Foreword	5

Worcestershire County Council Accounts

Movement in Reserves Statement	14
Comprehensive Income and Expenditure Statement	16
Balance Sheet	17
Cash Flow Statement	18
Notes to the Finance Statements	19
Statement of Accounting Policies	55
Auditor's Report	67

Worcestershire County Council Pension Fund Accounts

Explanatory Foreword	69
Pension Fund Account	75
Net Asset Statement	76
Notes to the Accounts	77
Statement of Accounting Policies	102
Auditor's Report	106
Annual Governance Statement	108
Glossary of Terms	111

Statement of Responsibilities of the County Council

The County 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.

Issue Date

The date that these Statement of Accounts are authorised for issue is 26 June 2015. All known material events that have occurred up to and including this date which relate to 2014/15 or before have been reflected in the accounts.

In accordance with Regulation 8(2) of the Accounts and Audit (England) Regulations 2011 I certify that the Statement of Accounts 2014/15 provides a true and fair view of the financial position of the Council at 31 March 2015 and its income and expenditure for the year 2014/15.

Sean Pearce
Chief Financial Officer
26 June 2015

Approval of Accounts

In accordance with Regulation 8(3) b of the Accounts and Audit (England) Regulations 2011 I certify that the Audit & Governance Committee approved the Statement of Accounts 2014/15 on 26 June 2015.

Councillor Philip Gretton
Chairman of the Audit & Governance Committee
26 June 2015

Personal Assurance Statement of the Chief Financial Officer

To be included at close of audit

Sean Pearce
Chief Financial Officer

Foreword by the Chief Financial Officer

Introduction

I am pleased to introduce our Financial Accounts pack for 2014/15. The Final Accounts pack includes the Statement of Accounts as well as other information we are required to publish under the Code of Practice on Local Authority Accounting.

The County Council's Corporate Plan "Worcestershire Future Fit", covers the period 2013-17. Our vision is for a prosperous Worcestershire. Working towards this vision will require fundamental changes to the Council's identity and how we work. We need to focus on delivering services to people who cannot provide for themselves whilst enabling others to help themselves by removing the barriers that they face. The areas of focus are:

- ✓ Open for Business
- ✓ Children and Families
- ✓ The Environment
- ✓ Health and Wellbeing

The County Council is subject to the pressures resulting from the challenging economic climate. The Medium Term Financial Plan reflects the Corporate Plan priorities and the financial pressures. The delivery of a break even position on a budget of £332 million set for 2014/15 includes the delivery of savings of £30.5 million and managing a significant cost pressure of £5.7 million in Children's Social Care Placement. Looking forward, the Council needs to achieve around £25 million savings per year.

Worcestershire Future Fit – the Corporate Plan 2013-2017 can be accessed at [Worcestershire Corporate Plan 2013-2017](#)

Role and content of the Explanatory Foreword

This Explanatory Foreword is set out in two parts. The first will provide some key information that summarises our financial performance in 2014/15 together with some key service achievements. The second part will provide some key information on how the Financial Accounts Pack is set out to help you navigate through a technical pack of information that is required to meet strict statutory reporting requirements laid out by International Financial Reporting Standards (IFRS). Readers should note that the break even position reported against the Directorate Cash Limited Budgets which the County Council uses internally to monitor its financial performance is not directly comparable to the surplus disclosed in the Statement of Accounts mainly due to the number of accounting adjustments required, which do not impact on our budget requirement to be met by local taxpayers. The key differences relate to the way in which we account for items such as depreciation, impairment, reserves, provisions and carry forwards. Each of these items is explained further in our accounting policies or the glossary to the Final Accounts Pack.

Responsibilities of Section 151 Officer

As defined in the Local government Act 1972, the Section 151 Officer for the County Council is the Chief Financial Officer and has a number of statutory duties relating to the proper administration of the County Council's financial affairs. This includes the duty to present for audit a Statement of Accounts that gives a true and fair view of the operations of the County Council.

Public Inspection

It is really important that members of the public have the opportunity to provide comment and question the Statement of Accounts. The Statement of Accounts for 2014/15 was available for inspection from 19 June 2015 to 16 July 2015. The formal audit of our accounts began on 20 May 2015 *and we received an [unqualified] opinion on the Statement of Accounts on [date]. This means that, in the External Auditors' opinion, our Statement of Accounts give a true and fair view of the financial position of the County Council. (text to be confirmed)*

Capital and Revenue expenditure

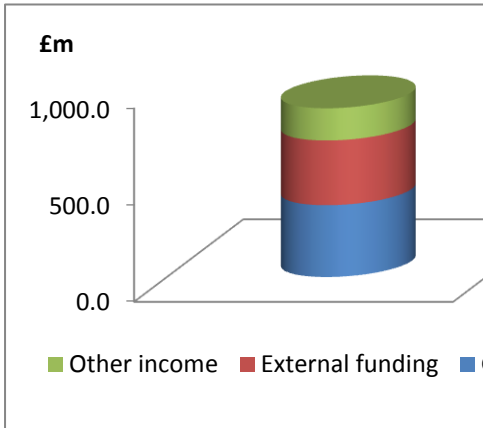
The County Council spends taxpayer resources in two ways, through revenue expenditure on day to day services, such as social care and road maintenance, and capital expenditure, such as improvements to roads and schools.

Broadly, our Comprehensive Income and Expenditure Account relates to income received in the year and spending for items used in the year. Our Capital Account relates to items we have bought and which will be used for more than one year. An amount is charged from the Capital Account to the Comprehensive Income and Expenditure Account each year to reflect the cost equivalent to our economic use of that capital asset in each year.

Revenue expenditure – What we have received and spent

This section provides a high level summary of the sources of income the County Council has received in 2014/15 and sets out the ways in which this has been spent.

How we received our money



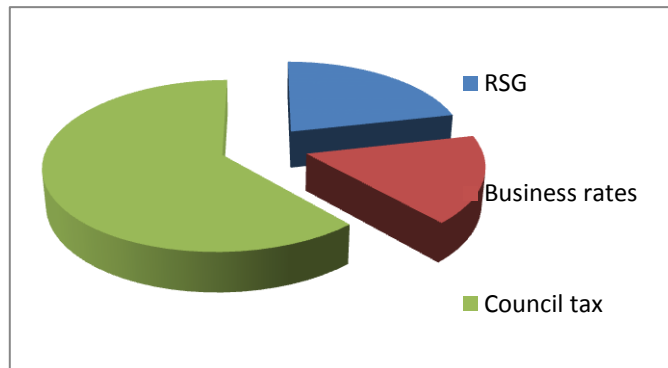
The County Council's total income in 2014/15 was £873.7 million. We received:

- £371.8 million in relation to Dedicated Schools Grant and Specific Grants that was either spent or set aside for the specific purpose of the grant;
- £335.1 million external funding to support our Directorates net revenue budgets, as detailed below; and
- £166.8 million other income.

More detail is provided in the Statement of Accounts following and the Resources Report presented to Cabinet in May 2015 that is available on <http://worcestershire.moderngov.co.uk/documents/g362/Public%20reports%20pack%2021st-May-2015%2010.00%20Cabinet.pdf?T=10>

£335.1 million of external funding was received in 2014/15 was used to support our Directorate's Net Revenue Expenditure. The sources of this income are shown in the chart on the right.

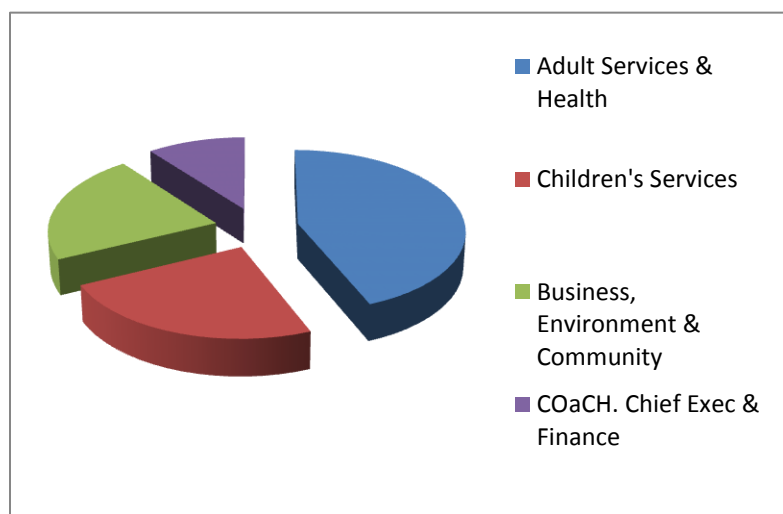
- Council Tax 62%
- Revenue Support Grant 22%, and
- Business Rates 17%



Service Directorate Net Revenue Spending

The net revenue funding of £332.1 million has been used to finance the services provided by the County Council in 2014/15 as illustrated in the chart on the right. The County Council has established provisions for expenditure that will be incurred, including a provision for redundancies of £1.9 million, an increase of £0.5 million since 2013/14.

Directorates were able to carry forward £11.2 million of their funding to future years. This mainly comprised planned items and specific grant funding where expenditure will be incurred in future years. Expenditure for the ring fenced Dedicated Schools Grant has either been incurred during 2014/15 or carried forward.



Overview of the County Council's performance in 2014/15

Outlined in this section is a brief summary of financial and non financial achievements in the 2014/15 financial year.

Service successes and achievements

Whilst the Statement of Accounts is focused on the financial health of the County Council, prudent and robust financial management has supported the County Council to achieve the service improvements. Recent examples include:

- **Assets** – raised £6.4 million in capital receipts from the sale of redundant properties and exceed targets for the release of buildings, releasing 130 since 2011;
- **Property management** – agreement has been secured to create a uniquely joint property service to be shared across 3 councils, 2 police forces and the Fire and Rescue Service to manage the public estate as a single entity, creating usage and financial efficiencies and opportunities for local economic regeneration;
- **Broadband** – The Broadband Programme remains ahead of schedule to enable 55,000 premises by 2016 to connect to fibre broadband, with over 24,000 business and residential premises already able to connect. We have also secured a deal for a Superfast Extension Programme enabling more than 8,000 additional homes and businesses to access high-speed fibre broadband by 2018, taking the percentage of homes and businesses able to access this service to more than 95%;
- **Your Life Your Choice** – the new Adult Social Care website launched on 1 April 2015. In the first week over 2,000 users accessed the system to get information and advice. The system allows for online safeguarding, user and carer referrals, from the public and professionals, that link directly to the Social Care system reducing errors and speeding up response times;
- **Public Transport** – a revised bus network was implemented in Worcestershire on 1 September 2014. This followed a major public consultation exercise with a record 8,500 responses which supported the Cabinet decision to continue to fund public transport in order to maintain access to schools, for essential shopping and for health purposes.

Savings and efficiencies

The FutureFit programme has the clear intention of delivering the changes needed to support the four key areas of focus set out in the Corporate Plan – Future Fit: Open for Business, Children and Families, Health and Well-being and the Environment. It remains a key vehicle for identifying, managing and delivering the transformation required of the organisation to deliver the FutureFit vision.

The County Council has delivered £30.5 million of savings and efficiencies through the FutureFit programme in 2014/15, contributing to a total of £96.8 million since 2011/12. There are existing plans to deliver £62.6 million in the period 2015/16 to 2018/19. Based on the Medium Term Financial Plan approved in February 2015 there remains a need to establish further savings of £41.2 million to balance the budget across this period.

Budgets for vulnerable service users have been increased in response to demographic pressures and all budgets take account of the impact of inflation.

Management Accounts - Budget vs. actual expenditure

The following table sets out the County Council's Financial Performance by Directorate in 2014/15 against the cash limited budgets set by the Full Council in February 2014 and was reported to Cabinet in May 2015.

£ millions (rounded)	Budget	Actual Net Expenditure	Transfer to/ (from) reserves	Variation after reserve movements
Directorate Net Expenditure	£m	£m	£m	£m
Adult Services and Health	141.2	140.7	0.5	0
Children's Services	76.5	76.8	3.1	3.5
Business, Environmental and Community Services	72.7	70.0	2.7	0
COaCH, Chief Exec and Finance	41.7	33.4	4.9	(3.4)
Directorate Outturn	332.1	320.9	11.2	0.1
Transfer from Earmarked Reserves	2.3	2.3	0	0
Transfer from General Balances	0	0	0	0

The key points regarding financial performance in 2014/15 are:

- In overall terms revenue spending by Directorates was within the delegated cash limits, coming in on budget whilst making identified savings. There have been significant areas of cost pressure which have been managed during the year including £5.7 million Children's Social Care Placements
- The 2014/15 FutureFit savings target of £30.5 million has been delivered. Of this amount, £3.7 million was achieved using one-off alternative funding and these project savings, which all have detailed plans to support them, will be carried forward to 2015/16 for delivery. Whilst this is an excellent achievement, it is recognised that savings are becoming more complex and difficult to deliver
- Consistent with the Medium Term Financial Plan approved by County Council in February 2015, the level of General Balances can be maintained at £13 million

You can get more information on our overall 2014/15 figures in the Resources Report to Cabinet <http://worcestershire.moderngov.co.uk/documents/g362/Public%20reports%20pack%2021st-May-2015%2010.00%20Cabinet.pdf?T=10>

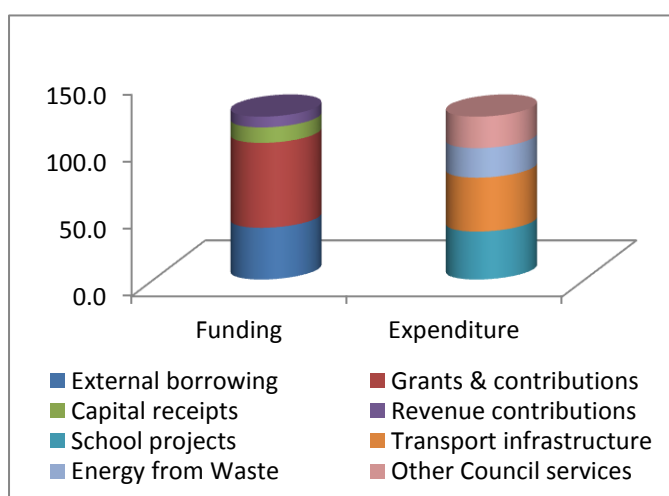
Capital Expenditure

The County Council spent £121.3 million on capital expenditure in 2014/15. This expenditure included:

- £40.1 million on local transport infrastructure
- £35.7 million spent on school projects
- £22 million on Energy from Waste Loan Facility; and
- £23.3 million on other County Council services.

Funding comprises:

- £38.5 million external funding
- £63.2 million grants and contributions
- £11.6 million capital receipts; and
- £8 million revenue contributions



Capital Investment

The following significant capital investment projects have been progressed during 2014/15:

- £16.9 million – Highways and Structural Maintenance, including £2.9 million potholes repairs;
- £14 million – Habberley Learning Campus; and
- £6.3 million – Worcester Southern Link Road.

Significant disposals

The County Council's asset value has reduced by £150.7 million relating to disposals of land and buildings. Included in this figure is the removal of £97.8 million relating to Voluntary Aided and Voluntary Controlled school assets in accordance with the Code of Practice guidance on Local Authority Accounting, and £24.1 million relating to the transfer of school assets to the Tudor Grange Academy.

Treasury Management

The key highlights of the County Council's Treasury Management activities in 2014/15 are:

- The County Council's Treasury activities were managed successfully within the approved Prudential Indicators
- Base rate has remained stable at 0.5% during 2014/15
- Investments prudently made to UK Debt Management Office, other local authorities and Money Market Funds are in line with the existing County Council Treasury Management Policy;
- £5.2 million of existing loans have been repaid during the year
- New loans of £22 million have been taken out to support the approved Energy from Waste scheme;
- No other new loans have been taken out during the year; and
- Total debt outstanding is within plan and stands at £256.7 million at 31 March 2015, at an average rate of 3.94%

Dedicated Schools Grant

Spending on schools is funded by a Dedicated Schools Grant (DSG) from Central Government. We received £225.8 million in DSG during 2014/15. We regularly report how we use this money to the Department for Education. In 2014/15 we spent £221 million. After allowing for all spending from reserves including capital investment, overall school reserves have decreased by £1.7 million to £16.8 million at the end of the year.

The Future Financial Outlook

The current Medium Term Financial Plan (MTFP) is provided in the following table:

£m	2015/16	2016/17	2017/18	2018/19
Total funding available	361.1	358.1	360.1	362.6
Less service costs based on 2014/15	(383.4)	(385.0)	(384.5)	(387.6)
Sub-total	(22.3)	(26.9)	(24.4)	(25.0)
Less planned savings	23.8	26.9	24.4	25.0
Use of / (contribution to) reserves	(1.5)	0.0	0.0	0.0

The County Council's perspective on the financial challenges and opportunities that lie ahead is set out in the MTFP. The MTFP approved by Full Council in February reflects the challenge of meeting the County Council's ambitions alongside the impact of the Central Government reform of Local Government funding which has resulting in reduced funding.

Content and Format of the Statement of Accounts

Primary Financial Statements

These comprise the four key pieces of information in the Statement of Accounts.

Comprehensive Income and Expenditure Statement	Balance Sheet
<p>An accounting deficit of £43 million for 2014/15 has been reported; the outturn position is £11.2 million surplus.</p> <p>This Statement shows the accounting cost in the year of providing services rather than the amount to be funded from taxation. The main factors in the difference of the accounting deficit to outturn position are capital depreciation and impairment charges, pension charges.</p>	<p>A decrease of £134.3 million in County Council net assets as at 31 March 2015.</p> <p>The balance sheet shows the value as at the Balance Sheet date of the asset and liabilities recognised by the County Council. At 31 March 2015 the County Council's net worth was £109.9 million.</p>
Cash Flow Statement	Movement in Reserves Statement
<p>A net cash outflow of £4.7 million in 2014/15 in cash or cash equivalents</p> <p>This statement summarises the cash that has been paid to us and which we have paid to other organisations.</p>	<p>A decrease of £6.8 million in County Council usable reserves</p> <p>This statement shows the movement in year on the different reserves held by the County Council, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.</p>

Notes to the Primary Financial Statements

The notes include more detail to support the information contained in the Primary Financial Statements as well as information on critical judgements and assumptions applied in the production of the accounts.

Accounting Policies

This specifies the accounting practices we have used to prepare the accounts. We provide other notes to explain the information we have given. Wherever possible we have prepared the Statement of Accounts in line with the Code of Practice on Local Authority Accounting in the United Kingdom, which is based on International Financial Reporting Standards (IFRS) and the Service Accounting Code of Practice (SerCOP). If we have not been able to do this fully, we say so in the accompanying notes. The Code of Practice is updated each year and any changes for the 2014/15 financial year have been reflected in the accounts.

Other Information in the Financial Accounts pack

Statement of Responsibilities

This statement provides information on the responsibilities set out in Statute for the Chief Financial Officer and the Chair of the Audit Committee. This statement accompanies the Statement of Accounts.

Annual Governance Statement

This sets out the County Council's arrangements that have been put in place to ensure there is an effective system of internal control to manage service delivery and deliver services in an efficient, effective and economic way. This statement accompanies the Statement of Accounts.

External Audit Opinion

This sets out the outcome of the independent audit of Worcestershire County Council's Statement of Accounts. Our external auditors contact details are:

Grant Thornton UK LLP

Colmore Plaza
20 Colmore Circus
Birmingham
West Midlands
B4 6AT

An unqualified audit indicates an audit where the External Auditor is satisfied that the Statement of Accounts presents a true and fair view of the financial position of the County Council.

Pension Fund

Worcestershire County Council administers the Worcestershire County Council Local Government Pension Fund on behalf of 15,768 pensioners and 21,569 employees in 206 organisations. The key messages from the 2014/15 Pension Fund Accounts are:

- the value of the Fund's net assets increased by £190.2 million to £1,987.3 million;
- recurring income from contributions increased by 8.9%, whilst net investment earnings decreased by 3.1%.
- ongoing expenditure increased by 3.9%.
- contributions from staff and employers plus interest and dividends received exceeded benefit entitlements paid by £47.6 million. It is expected that an operating surplus will exist for many years to come.

This set of summary information provides detail on the annual results of the Worcestershire County Council administered Local Government Pension Fund for Worcestershire, covering both County Council employees and those of District Councils and other admitted bodies. It provides an overview of the changes in net assets available for pension benefits, detailing the money received and spent within the Pension Fund during 2014/15.

The Net Assets Statement summarise the assets available for benefits at 31 March 2015. The notes summarise the additional information for the Pension Fund Account and Net Assets Statement. The full set of information relating to the Pension Fund is contained in the Annual Report that is available on www.worcestershire.gov.uk.

Availability of the Statement of Accounts in other formats

Copies of the Statement of Accounts and Annual Governance Statement, and a large print version, can be made available on request through the Chief Financial Officer. at Worcestershire County Council, County Hall, Spetchley Road, Worcester, WR5 2NP. Alternatively you can call us on 01905 766991.

The accounts can be viewed on the County Council's website by visiting www.worcestershire.gov.uk.

Feedback and questions

We have to produce the Statement of Accounts in line with a range of regulations and reporting standards, but it is important that most people can understand them. I have tried to explain what I believe are the main issues in a way that I hope is understandable. Although I have kept to the relevant regulations and reporting standards, I am always looking for ways to improve the content and format of the Statement of Accounts. To help me do this, I would appreciate your comments on how we could improve the accounts and other information in future. Please send any comments or questions arising from the accounts to:

Debbie Lee
Personal Assistant to the Chief Financial Officer
Worcestershire County Council
Finance
County Hall
Spetchley Road
WR5 2NP

Alternatively you can email on financialqueries@worcestershire.gov.uk

Sean Pearce
CPFA
Chief Financial Officer

Worcestershire County Council

Statement of Accounts

2014/15

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the County Council, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Deficit on the Provision of Services line shows the true economic cost of providing the County Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for County Council tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the County Council.

2014/15	General fund balance	Earmarked reserves	Capital receipts reserve	Capital grants unapplied account	Total usable reserves	Total unusable reserves	Total reserves
	£m	£m	£m	£m	£m	£m	£m
Balance at 31 March 2014	13.0	113.4	6.9	40.2	173.5	71.6	245.1
(Deficit) on provision of services	(43.0)	0.0	0.0	0.0	(43.0)	0.0	(43.0)
Other comprehensive income & expenditure	0.0	0.0	0.0	0.0	0.0	(92.2)	(92.2)
Total comprehensive income & expenditure	(43.0)	0.0	0.0	0.0	(43.0)	(92.2)	(135.2)
Adjustments between accounting basis & funding basis under regulations	48.7	(2.1)	(3.7)	(6.7)	36.2	(36.2)	0.0
Net increase/ (decrease) before transfers to earmarked reserves	5.7	(2.1)	(3.7)	(6.7)	(6.8)	(128.4)	(135.2)
Transfers to/(from) earmarked reserves	(5.7)	5.7	0.0	0.0	0.0	0.0	0.0
Increase/ (decrease) in year	0.0	3.6	(3.7)	(6.7)	(6.8)	(128.4)	(135.2)
Balance at 31 March 2015	13.0	117.0	3.2	33.5	166.7	(56.8)	109.9

Other Comprehensive Income & Expenditure

2013/14		2014/15
Total unusable reserves		Total unusable reserves
£m		£m
28.4	Surplus on revaluation of non-current assets	9.1
112.8	Re-measurement of the net defined benefit liability/ (asset)	(101.3)
141.2		(92.2)

Adjustments between accounting basis & funding basis under regulations are given in note 1.

Details of the movement on usable reserves in note 2, earmarked reserves are given in note 3 and unusable reserves in note 4

Movement in Reserves Statement

2013/14 comparison Restated	General fund balance	Earmarked reserves	Capital receipts reserve	Capital grants unapplied account	Total usable reserves	Total unusable reserves	Total reserves
	£m	£m	£m	£m	£m	£m	£m
Balance at 31 March 2013	15.1	124.7	4.9	39.0	183.7	104.0	287.7
(Deficit) on provision of services	(183.8)	0.0	0.0	0.0	(183.8)	0.0	(183.8)
Other comprehensive income & expenditure	0.0	0.0	0.0	0.0	0.0	141.2	141.2
Total comprehensive income & expenditure	(183.8)	0.0	0.0	0.0	(183.8)	141.2	(42.6)
Adjustments between accounting basis & funding basis under regulations	173.4	(3.0)	2.0	1.2	173.6	(173.6)	0.0
Net increase/ (decrease) before transfers to earmarked reserves	(10.4)	(3.0)	2.0	1.2	(10.2)	(32.4)	(42.6)
Transfers to/(from) earmarked reserves	8.3	(8.3)	0.0	0.0	0.0	0.0	0.0
Increase/ (decrease) in year	(2.1)	(11.3)	(2.0)	1.2	(10.2)	(32.4)	(42.6)
Balance at 31 March 2014	13.0	113.4	6.9	40.2	173.5	71.6	245.1

Comprehensive Income and Expenditure Statement

This Statement shows the accounting cost in the year of providing services in accordance with the Code of Practice on Local Authority Accounting, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2013/14 Expenditure £m	2013/14 Income £m	2013/14 Net £m		2014/15 Expenditure £m	2014/15 Income £m	2014/15 Net £m	
restated		restated	Service Expenditure Analysis	Note			
192.0	(45.3)	146.7	Adult Social Care	6,8	191.9	(49.2)	142.7
427.6	(331.2)	96.4	Children's and Education Services	8,13	414.7	(319.0)	95.7
71.0	(16.5)	54.5	Highways and Transport Services		70.1	(16.6)	53.5
41.4	(15.5)	25.9	Environmental and Regulatory Services		49.5	(12.2)	37.3
16.5	(6.0)	10.5	Cultural and Related Services		14.7	(6.2)	8.5
12.4	(2.9)	9.5	Housing Services		5.3	(1.7)	3.6
9.5	(3.9)	5.6	Planning Services		11.7	(7.6)	4.1
4.9	(2.1)	2.8	Central Services to the Public		3.8	(2.3)	1.5
18.5	(8.7)	9.8	Corporate and Democratic Core		16.8	(14.3)	2.5
(2.3)	(0.4)	(2.7)	Non-Distributed costs	7	(5.4)	(0.1)	(5.5)
20.2	(22.3)	(2.1)	Public Health Services		30.6	(30.5)	0.1
811.7	(454.8)	356.9	Net cost of services		803.7	(459.7)	344.0
173.6	(0.4)	173.2	Other operating expenditure	16	10.7	(2.2)	8.5
58.9	(25.5)	33.4	Financing, investment income & expenditure	17	102.1	(30.0)	72.1
0.2	(379.9)	(379.7)	Taxation & non-specific grant income and expenditure	18	0.2	(381.8)	(381.6)
1044.4	(860.6)	183.8	(Surplus) / deficit on the provision of services		916.7	(873.7)	43.0
			Other comprehensive income and expenditure:				
		(34.8)	(Surplus) on revaluation of non-current assets	5.4			(24.1)
		6.4	Impairment losses on non-current assets charged to Revaluation Reserve	5.4			15.0
		(112.8)	Re-measurement of the net defined benefit liability/ (asset)	38.1			101.3
		(141.2)	Total other comprehensive income and expenditure				92.2
		42.6	Total comprehensive income and expenditure (surplus)/deficit				135.2

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the asset and liabilities recognised by the County Council. The net assets of the County Council (assets less liabilities) are matched by the reserves held by the County Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the County Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the County Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

31 March 2013 restated £m	31 March 2014 restated £m		Note	31 March 2015 £m
879.3	834.1	Property, plant and equipment	19	809.5
1.7	1.7	Heritage assets	20	1.7
0.0	0.1	Investment property	21	0.1
0.2	0.2	Intangible assets	22	0.3
599.4	0.9	Long-term investments	15.7,15.9	4.5
4.9	3.9	Long-term debtors	31	23.3
1,485.5	840.9	Long term assets		839.4
11.6	10.7	Assets held for sale	23	5.5
78.9	60.0	Short-term investments	28	47.5
0.3	0.7	Inventories	30	0.7
45.6	43.0	Short-term debtors	32	51.9
	13.8	Cash and cash equivalents	33	9.0
136.4	128.2	Current assets		114.6
(5.9)		Cash and cash equivalents		
(28.0)	(37.9)	Short-term borrowing	28	(40.6)
(101.5)	(105.8)	Short-term creditors	34	(104.8)
(1.6)	(0.7)	Short-term provisions	35	(1.9)
(137.0)	(144.4)	Current liabilities		(147.3)
0.0	(0.7)	Long Term Creditors	7.3	(0.9)
(0.9)	(1.3)	Long-term provisions	35	(1.1)
(220.0)	(205.4)	Long-term borrowing	28	(220.7)
(1,071.5)	(372.2)	Other long-term liabilities	36	(474.1)
(1,292.4)	(579.6)	Long-term liabilities		(696.8)
192.5	245.1	Net assets		109.9
		Financed by:		
183.7	173.5	Usable reserves	3	166.7
8.8	71.6	Unusable reserves	5	(56.8)
192.5	245.1	Total reserves		109.9

Notes referenced will give supporting information to the amount on the main statement. They may not include the full amount.

Sean Pearce
Chief Financial officer

Cash Flow Statement

The Cash Flow statement shows the changes in cash and cash equivalents of the County Council during the reporting period. The statement shows how the County Council generates and uses cash and cash equivalents by classifying cash flows as: operating, investing and financing activities. The amount of net cash flows 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 and grant income or from the recipients of services provided by the County Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the County Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the County Council.

2013/14			2014/15
restated			
£m		Note	£m
(183.8)	Net surplus/ (deficit) on the provision of services		(43.0)
250.9	Adjust net (surplus)/deficit for non-cash movements	39.1	114.0
(44.6)	Adjust for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities	39.1	(64.3)
22.5	Net cash flows from operating activities		6.7
4.4	Net cash flows from investing activities	39.2	(26.7)
(7.2)	Net cash flows from financing activities	39.3	15.2
19.7	Net (increase)/decrease in cash or cash equivalents		(4.8)
(5.9)	Cash and cash equivalents at the beginning of the reporting period	33	13.8
13.8	Cash and cash equivalents at the end of the reporting period	33	9.0

Notes to the Financial Statements

1. Prior Period Adjustment to the 2013/14 Accounts

1.1 Pension Liability

There has been a material change to the presentation of the pension's liability within the balance sheet. Previously the gross pension asset was presented in the long term assets and the pension liability was included in the Other Long Term Liabilities. These two figures are now combined and reported as the net pension's liability in accordance with accepted accounting policies.

1.2 De-recognition of School assets

There has been a material change to the Property, Plant and Equipment assets on the Balance sheet. The County Council undertook a review of the accounting treatment of schools in 2014/15 in line with new published guidance from CIPFA. Previously within the Property, Plant and Equipment assets category there was an accumulation of minor capital expenditure items on a range of Voluntary Aided and Voluntary Controlled schools. These assets have now been derecognised in line with the current policies.

Restatement of the 2013/14 Statements and Notes

Statements	Published accounts £m	Re stated accounts £m
Movement in Reserves		
Increase in Deficit on provision of services	86.0	183.8
Adjustments between accounting basis & funding basis under regulations – increased General fund and reduced unusable Reserves	75.6	173.4
Balance at 31 March 2014 reduced	342.9	245.1
Comprehensive income and expenditure		
Increased expenditure in Other operating	75.8	173.6
Increased deficit on the provision of services	86.0	183.8
Balance Sheet		
Reduction in Property, Plant and equipment	931.9	834.1
Reduction in long term assets	938.9	841.1
Reduction in Unusable reserves	169.4	71.6
Total reduction in Net assets	342.0	245.1
Cashflow		
Increase in deficit on net surplus	86.0	183.8
Increase in deficit on non cash movements	153.1	250.9

The following Notes in the accounts have been amended to reflect the changes
 Note 2 - Adjustments between accounting basis & funding basis under regulations
 Note 5 - Unusable Reserve
 Note 5.3 – Capital Adjustment Account
 Note 6.3- Operational Reporting – reconciliation to subjective analysis
 Note 16 - Other Operating Income and Expenditure
 Note 24 – Impairment and Disposal Losses
 Note 39.1 – Cash Flow Statement – Operating Activities

2. Adjustments between Accounting Basis and Funding Basis under Regulation

This note expands the information held in the Movement in Reserves Statement and details the adjustments that are made to the total comprehensive income and expenditure recognised by the County Council in year in accordance with proper accounting practice to the resources that are specified by the statutory provisions as being available to the County Council to meet future capital and revenue expenditure.

2014/15	Usable Reserves				
	General Fund Balance	Earmarked Specific Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£m	£m	£m	£m	£m
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items debited or credited to the CI&E Statement:					
Charges for depreciation and impairment of non-current assets	61.8				(61.8)
Amortisation of intangible assets	0.1				(0.1)
Capital grants and contributions applied	(45.3)				45.3
Revenue expenditure funded from capital under statute	3.4				(3.4)
Insertion of items not debited or credited to the CI&E Statement:					
Statutory provision for the financing of capital investment	(18.0)				18.0
Capital expenditure charged against the General Fund	(5.9)	(2.1)			8.0
Adjustments primarily involving the Capital Grants Unapplied Account:					
Capital grants & contributions unapplied credited to the CI&E Statement				45.3	6.7
Application of grants to capital financing transferred to Capital Adjustment Account				(52.0)	
Adjustments primarily involving the Capital Receipts Reserve:					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&E Statement	50.5		7.8		(58.3)
Use of Capital Receipts Reserve to finance new capital expenditure			(11.5)		11.5
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the CI&E Statement	28.4				(28.4)
Employer's pension contributions and direct payments to pensioners payable in the year	(25.6)				25.6
Adjustments primarily involving the Collection Fund Adjustment Account:					
Amount by which council tax income credited to the CI&E Statement is different from council tax income calculated for the year in accordance with statutory requirements	(0.8)				0.8
Amount by which National Non-Domestic Rates income credited to the CI&E Statement is different from Non-Domestic Rates income calculated for the year in accordance with statutory requirements	0.2				(0.2)
Adjustment primarily involving the Accumulated Absences Account					
Amount by which officer remuneration charged to the CI&E Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(0.1)				0.1
Total Adjustments	48.7	(2.1)	(3.7)	(6.7)	(36.2)

2013/14 comparable year Restated	Usable Reserves					Movement in Unusable Reserves
	General Fund Balance	Earmarked Specific Reserves	Capital Receipts Reserve	Capital Grants Unapplied		
	£m	£m	£m	£m	£m	
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the CI&E Statement:						
Charges for depreciation and impairment of non-current assets	52.4					(52.4)
Amortisation of intangible assets	0.3					(0.3)
Capital grants and contributions applied	(40.5)					40.5
Revenue expenditure funded from capital under statute	0.5	(3.0)		0.7		1.8
Insertion of items not debited or credited to the CI&E Statement:						
Statutory provision for the financing of capital investment	(18.0)					18.0
Capital expenditure charged against the General Fund	(4.5)					4.5
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants & contributions unapplied credited to the CI&E Statement	(0.4)			41.0		(0.1)
Application of grants to capital financing transferred to Capital Adjustment Account				(40.5)		
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&E Statement	172.8		3.7			(176.5)
Use of Capital Receipts Reserve to finance new capital expenditure			(1.7)			1.7
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the CI&E Statement	38.4					(38.4)
Employer's pension contributions and direct payments to pensioners payable in the year	(24.4)					24.4
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the CI&E Statement is different from council tax income calculated for the year in accordance with statutory requirements	(1.5)					1.5
Amount by which Business Rates income credited to the CI&E Statement is different from Business rates income calculated for the year in accordance with statutory requirements	1.2					(1.2)
Adjustment primarily involving the Accumulated Absences Account						
Amount by which officer remuneration charged to the CI&E Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(2.9)					2.9
Total Adjustments	173.4	(3.0)	2.0	1.2		(173.6)

3. Usable Reserves

	Opening	Contributions		Closing
	Balance 01/04/14	To	From	Balance 31/03/15
	£m	£m	£m	£m
General fund	13.0	0.0	0.0	13.0
Earmarked specific reserves (detail in note 3)	113.4	49.2	(45.6)	117.0
Capital grants unapplied	40.2	45.3	(52.0)	33.5
Capital receipts reserve	6.9	7.8	(11.5)	3.2
Total Usable Reserves	173.5	102.3	(109.1)	166.7

4. Transfers to/from Earmarked Reserves

The amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and amounts posted back from earmarked reserves to meet General Fund expenditure in 2014/15

	Balance at 1 April 2013	Transfers out 2013/14	Transfers in 2013/14	Balance at 31 March 2014	Transfers out 2014/15	Transfers in 2014/15	Balance at 31 March 2015
	£m	£m	£m	£m	£m	£m	£m
Earmarked reserves:							
Balances held by schools under a scheme of delegation	19.5	(19.5)	18.5	18.5	(18.5)	16.8	16.8
DSG c/fwd balance	5.8	(0.2)	1.9	7.5	(0.2)	5.2	12.5
Future capital investment	10.2	(3.1)	0.0	7.1	(2.1)	0.3	5.3
Insurance	5.9	(1.3)	1.5	6.1	(0.9)	1.5	6.7
Retained Waste Disposal PFI grant	17.6	(0.7)	0.0	16.9	(6.0)	5.3	16.2
Education Virtual Workspace PFI grant	1.9	(0.2)	0.0	1.7	(0.3)	0.0	1.4
Bromsgrove Schools Reorganisation PFI grant	2.4	0.0	0.1	2.5	(0.1)	0.0	2.4
Health and Pooled Budgets	4.0	(0.7)	0.0	3.3	(0.5)	0.0	2.8
Growing Places	5.5	(1.3)	0.0	4.2	(1.8)	0.9	3.3
Directorate revenue reserves	12.5	(5.7)	3.1	9.9	(2.7)	2.5	9.7
Future Fit	1.6	(0.9)	2.1	2.8	(3.3)	5.2	4.7
Councillors' Divisional Fund	1.2	(0.6)	0.6	1.2	(0.6)	0.6	1.2
Revenue grants unapplied	26.0	(12.2)	6.1	19.9	(6.3)	5.8	19.4
Other reserves	10.6	(5.6)	6.8	11.8	(2.2)	5.0	14.6
Total	124.7	(52.0)	40.7	113.4	(45.5)	49.1	117.0

5. Unusable Reserves

	Opening Balance 01/04/14 restated £m	Contributions To £m	Contributions From £m	Closing Balance 31/03/15 £m
Pensions reserve	(287.1)	(182.0)	77.9	(391.2)
Accumulated absences adjustment account	(6.4)	(6.3)	6.4	(6.3)
Financial instruments adjustment account	(1.1)	0.0	0.0	(1.1)
Capital adjustment account	251.7	82.7	(106.1)	228.3
Revaluation reserve	112.9	24.1	(25.7)	111.3
Collection fund adjustment accounts				
- Council Tax	2.8	0.8	0.0	3.6
- National Non-Domestic Rates	(1.2)	0.0	(0.2)	(1.4)
Total Unusable Reserves	71.6	(80.7)	(47.7)	(56.8)

5.1 Pensions Reserve

2013/14 £m		2014/15 £m
(386.0)	Balance at 1 April	(287.1)
	Re-measurement on the net defined benefit liability/ (asset):	
(6.4)	Actuarial gains & (losses) arising on changes in demographic assumptions	(0.0)
89.7	Actuarial gains & (losses) arising on changes in financial assumptions	(153.6)
25.3	Return on Plan assets (excluding the amount included in net interest expense)	52.3
4.4	Experience gains & losses	0.0
(38.4)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement	(28.4)
24.5	Employer's pensions contributions & direct payments to pensioners payable in the year	25.6
(0.2)	Increase in Teachers Pension Liability	(0.0)
(287.1)	Balance at 31 March	(391.2)

5.2 Accumulated Absences Adjustment Account

2013/14 £m		2014/15 £m
(9.3)	Balance at 1 April	(6.4)
9.3	Reversal of opening balance	6.4
(6.4)	Accumulated absence accrual	(6.3)
(6.4)	Balance at 31 March	(6.3)

5.3 Capital Adjustment Account

2013/14 restated £m		2014/15 £m
398.0	Balance at 1 April	251.7
	Capital Financing:	
1.7	Capital Receipts	11.5
40.6	Capital Grants and Contributions	63.2
2.5	Revenue Contributions to Capital Expenditure	4.8
4.2	Capital Reserve	3.2
49.0		82.7
(16.9)	Impairment charged to Comprehensive Income and Expenditure Statement	(30.1)
(34.1)	Depreciation charged to Comprehensive Income and Expenditure Statement	(30.0)
2.0	PFI Adjustments	2.2
(0.5)	REFCUS Adjustments	(14.6)
15.7	Minimum Revenue Provision Adjustment	15.6
(161.5)	Disposal of non-current assets	(49.2)
251.7	Closing Balance at 31 March	228.3

5.4 Revaluation Reserve

2013/14 £m		2014/15 £m
101.0	Opening Balance at 1 April	112.9
35.0	Revaluations during the year	24.1
(1.7)	Depreciation of revaluations	(1.6)
(6.4)	Impairment of Revaluations	(15.0)
(15.0)	Disposal of Revaluations	(9.1)
112.9	Closing Balance at 31 March	111.3

5.5 Collection Fund Adjustment Account

2013/14 £m		2014/15 £m
	Council Tax	
1.3	Balance at 1 April	2.8
1.5	Movement in year	0.8
2.8	Balance at 31 March	3.6
	National Non Domestic Rates	
0.0	Balance at 1 April	(1.2)
(1.2)	Movement in Year	(0.2)
(1.2)	Balance at 31 March	(1.4)

6. Operational Financial Reporting - Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Accounting Code of Practice. Decisions about resource allocation are taken by the County Council's Cabinet on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current services cost benefits accrued in the year, and
- expenditure on some support services is budgeted for centrally and not charged to directorates.

Directorate Income and Expenditure 2014/15

	Adult Services & Health	Children's Services	Business, Environment & Community	Commercial & Change, Ch. Exec/ Finance	Total
	£m	£m	£m	£m	£m
Fees, charges & other services income	48.7	250.3	35.2	44.7	378.9
Government grants	42.8	264.8	13.0	2.7	323.3
Total Income	91.5	515.1	48.2	47.4	702.2
Employee expenses	34.6	208.8	23.4	27.2	294.0
Other service expenses	186.7	174.2	88.7	52.4	502.0
Support service recharges	11.4	212.0	8.8	6.1	238.3
Total Expenditure	232.7	595.0	120.9	85.7	1,034.3
Net Cost of Service	141.2	79.9	72.7	38.3	332.1

Directorate Income and Expenditure 2013/14

	Adult Services & Health	Children's Services	Business, Environment & Community	Commercial & Change, Ch. Exec/ Finance	Total
	£m	£m	£m	£m	£m
Fees, charges & other services income	41.7	281.4	36.9	44.6	404.6
Government grants	28.9	280.2	10.3	1.5	320.9
Total Income	70.6	561.6	47.2	46.1	725.5
Employee expenses	37.3	235.2	24.4	23.4	320.3
Other service expenses	174.5	167.4	91.1	50.7	483.7
Support service recharges	10.2	237.8	8.7	6.7	263.4
Total Expenditure	222.0	640.4	124.2	80.8	1,067.4
Net Expenditure	151.4	78.8	77.0	34.7	341.9

6.1 Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

2013/14	2014/15
£m	
341.9	332.1
Net expenditure in the Directorate analysis	
38.3	45.4
Amounts in the Comprehensive Income & Expenditure Statement not reported to management in the analysis	
(23.3)	(33.5)
Amounts included in the analysis not included in the Comprehensive Income & Expenditure Statement	
356.9	344.0
Cost of services in the Comprehensive Income & Expenditure Statement	

6.2 Reconciliation to Subjective Analysis

	Directorate analysis	Amounts not included Income & Expenditure	Amounts not reported to management for decision making	Allocation of recharges	Cost of Services	Corporate amounts	Total
2014/15	£m	£m	£m	£m	£m	£m	£m
Fees, charges & other service income	378.9	(0.3)	11.2	(253.4)	136.4	0.0	136.4
Interest & investment income	0.0	0.0	0.0	0.0	0.0	1.0	1.0
Expected return on Pension Assets	0.0	0.0	0.0	0.0	0.0	29.0	29.0
Profit on disposal of assets	0.0	0.0	0.0	0.0	0.0	2.2	2.2
Taxation and non-specific grants	323.3	0.0	0.0	0.0	323.3	381.8	705.1
Total Income	702.2	(0.3)	11.2	(253.4)	459.7	414.0	873.7
Employee expenses	294.0	0.0	(9.6)	0.0	284.4	0.0	284.4
Other service expenses	502.0	(33.6)	4.1	(15.1)	457.4	0.0	457.4
Support Services recharges	238.3	0.0	0.0	(238.3)	0.0	0.0	0.0
Depreciation, amortisation and impairment	0.0	0.0	62.1	0.0	62.1	0.0	62.1
Interest payments	0.0	0.0	0.0	0.0	0.0	18.7	18.7
Pension interest & administration cost	0.0	0.0	0.0	0.0	0.0	41.4	41.4
Taxation and non-specific grants	0.0	(0.2)	0.0	0.0	(0.2)	0.2	0.0
Loss on disposal of non-current assets	0.0	0.0	0.0	0.0	0.0	52.7	52.7
Total Expenditure	1,034.3	(33.8)	56.6	(253.4)	803.7	113.0	916.7
Deficit on the Provision of Services	332.1	(33.5)	45.4	0.0	344.0	(301.0)	43.0

6.3 Reconciliation to Subjective Analysis – 2013/14 comparison

	Directorate analysis	Amounts not included in Income & Expenditure	Amounts not reported to management for decision making	Allocation of recharges	Cost of Services	Corporate amounts	Total
2013/14 comparative figures	£m	£m	£m	£m	£m	restated £m	restated £m
Fees, charges & other service income	404.6	(0.3)	0.1	(270.5)	133.9	0.0	133.9
Interest & investment income	0.0	0.0	0.0	0.0	0.0	0.4	0.4
Interest Income on Pension Assets	0.0	0.0	0.0	0.0	0.0	25.1	25.1
Profit on disposal of assets	0.0	0.0	0.0	0.0	0.0	0.4	0.4
Taxation and non-specific grants	320.9	0.0	0.0	0.0	320.9	379.9	700.8
Total Income	725.5	(0.3)	0.1	(270.5)	454.8	405.8	860.6
Employee expenses	320.3	0.00	(1.8)	0.0	318.5	0.0	318.5
Other service expenses	483.7	(23.4)	(13.0)	(7.1)	440.2	0.0	440.2
Support Services recharges	263.4	0.0	0.0	(263.4)	0.0	0.0	0.0
Depreciation, amortisation and impairment	0.0	0.0	53.2	0.0	53.2	0.0	53.2
Interest payments	0.0	0.0	0.0	0.0	0.0	18.4	18.4
Pension interest & administration cost	0.0	0.0	0.0	0.0	0.0	40.9	40.9
Taxation and non-specific grants	0.0	(0.2)	0.0	0.0	(0.2)	0.2	0.0
Loss on disposal of non-current assets	0.0	0.0	0.0	0.0	0.0	173.2	173.2
Total Expenditure	1,067.4	(23.6)	38.4	(270.5)	811.7	232.7	1,044.4
Deficit on the Provision of Services	341.9	(23.3)	38.3	0.0	356.9	(173.1)	183.8

7. Agency Income and Expenditure

7.1 Registered Nursing Care Contributions

The County Council makes payments on behalf of the Worcestershire Clinical Commissioning Groups (CCGs) in respect of Registered Nursing Care Contributions. In 2014/15 the payments made were £8.0 million (2013/14 £8.0m) and income received of £7.8 million (2013/14 £7.8m). The cost to the County Council of administering this scheme is £53,031 (2013/14 £52,506).

7.2 Council Tax Income

2013/14		2014/15
£m		£m
Income and Expenditure Statement		
(1.5)	Council tax precept – billing authorities surplus/(deficit)	(0.8)
Balance Sheet		
6.5	Debtors	7.6
(3.7)	Creditors	(4.0)
2.8	Collection fund adjustment account	3.6

7.3 Non- Domestic Rates Income

Following the introduction of the Business Rates Retention system in April 2013 the billing authorities in the Worcestershire area collect business rate income on behalf of the County Council and other precepting bodies in the area as well as for Central Government. The table below gives details of the County Council's share of the debtors, creditors, provisions and any surplus or deficit arising from this agency arrangement.

2013/14		2014/15
£m		£m
Income and Expenditure Statement		
1.2	Non domestic rates – billing authorities surplus/(deficit)	0.2
Balance Sheet		
0.2	Debtors	0.5
(0.7)	Creditors	(1.1)
(0.7)	Provision for appeals	(0.8)
(1.2)	Collection fund adjustment account	(1.4)

8. Pooled budgets

Under Section 75 of the National Health Service Act 2006, the County Council has entered into 6 joint working arrangements with the Clinical Commissioning Groups (CCGs), covering Redditch & Bromsgrove, Wyre Forest and South Worcestershire for the following services.

The County Council is the Host Authority for the pooled budgets and is responsible for their financial administration. As a joint operation the County Council's contribution is reflected in the Comprehensive Income & Expenditures statement within the appropriate cost of services. Some pooled budget transactions are not processed through the County Council's general ledger.

2013/14				2014/15				
Partnership income	Partnership expenditure	Net partnership expenditure	WCC contribution		Partnership income	Partnership expenditure	Net partnership expenditure	WCC contribution
£m	£m	£m	£m		£m	£m	£m	£m
(142.3)	141.4	(0.9)	83.1	Consolidated Adult Services	(216.7)	218.4	1.7	148.9
(0.3)	0.3	0.0	0.3	Early intervention	(0.1)	0.0	(0.1)	0.1
(5.7)	5.3	(0.4)	5.3	Children with disabilities	(5.4)	5.2	(0.2)	4.9
(5.2)	5.1	(0.1)	0.8	Children & adolescent mental health	(5.3)	5.3	0.0	0.8
(2.2)	2.2	0.0	0.2	Speech, language & communication needs	(2.3)	2.3	0.0	0.2
(2.1)	2.0	(0.1)	2.1	Healthy Lifestyles	(2.3)	2.3	0.0	2.3
(157.8)	156.3	(1.5)	91.8		(232.1)	233.5	1.4	157.2

9. Members' Allowances and Expenses

2013/14		2014/15	
£m		£m	
0.5	Basic allowances	0.5	
0.3	Special responsibility	0.3	
0.8	Total	0.8	

10. External Audit Costs

2013/14		2014/15	
£m		£m	
0.1	Fees payable with regard to external audit services	0.1	

11. Officers' Remuneration

11.1 Officers' Remuneration

2013/14 Total	2013/14 Restated Total	Total Remuneration to Employees	Number of Employees 2014/15		
			Teachers	Non Teachers	Total
102	123	£50,000 to £54,999	64	31	95
71	85	£55,000 to £59,999	55	21	76
49	54	£60,000 to £64,999	41	13	54
10	13	£65,000 to £69,999	16	5	21
10	11	£70,000 to £74,999	5	3	8
11	12	£75,000 to £79,999	4	4	8
5	5	£80,000 to £84,999	2	4	6
6	7	£85,000 to £89,999	1	5	6
3	4	£90,000 to £94,999	0	1	1
3	3	£95,000 to £99,999	1	3	4
0	1	£100,000 to £104,999	1	0	1
1	1	£105,000 to £109,999	0	0	0
2	2	£110,000 to £114,999	0	0	0
2	2	£120,000 to £124,999	0	3	3
0	1	£125,000 to £129,999	0	0	0
0	0	£135,000 to £139,999	0	2	2
1	1	£180,000 to £184,999	0	0	0

Remuneration for these purposes includes all amounts paid to or receivable by an employee, and includes sums by way of expenses, allowances and the money value of any other benefits received other than in cash. The employees include senior employees shown in Note 11.2. Teachers include those in Voluntary Aided and Voluntary controlled schools. (13/14 restated for comparison purposes).

11.2 Senior Employees Remuneration

2014/15

Post Title	£ Salary	£ National Insurance	£ Expense allowances	£ Compensation for loss of employment	£ Pension Contributions	£ Total
Chief Executive – (wef 01/06/14)	124,385	14,877	1,403	0	14,889	155,554
Deputy Chief Executive (post deleted 31/05/14)	14,443	1,616	0	0	1,753	17,812
Director of Resources (left 31/12/14)	89,536	10,357	544	50,000	10,576	161,013
Director of Adult Services & Health	122,866	14,708	1,149	0	17,401	156,124
Director of Business, Environment & Community Services	123,160	14,321	1,405	0	14,935	153,821
Director of Children's Services	120,482	14,363	1,007	0	14,915	150,767
Chief Financial Officer	91,727	10,190	577	0	11,134	113,628
Former Chief Executive (left 31/05/14)	39,087	5,017	102	0	3,674	47,880
Director of Commercial and Change (wef 06/01/15)	27,497	3,229	0	0	3,338	34,064
	753,183	88,678	6,187	50,000	92,615	990,663

Compensation for Loss of employment is capped at £50,000

11.2 Senior Employees Remuneration - comparison

Post Title	2013/14						Total Remuneration £
	Salary £	National Insurance Contributions £	Expense allowances £	Compensation for loss of employment	Pension Contributions £		
Chief Executive - Mrs T Haines	180,320	22,654	957	0	37,034	240,965	
Director of Adult Services & Health	122,866	14,746	743	0	17,401	155,756	
Director of Adult & Community Services (left 18/05/2013)	14,607	1,644	0	50,000	3,256	69,507	
Director of Children's Services	123,476	14,810	472	0	25,083	163,841	
Director of Business, Environment & Community Services	113,931	13,492	990	0	23,397	151,810	
Director of Resources	113,931	13,492	305	0	23,397	151,125	
Assistant Chief Executive	92,975	10,600	1,258	0	19,420	124,253	
	762,106	91,438	4,725	50,000	148,988	1,057,257	

12. Termination Benefits and Exit Packages

The County Council terminated the contracts of 258 employees in 2014/15, incurring liabilities of £2.9 million (2013/14 £4.5m). In addition there are provisions for future costs of £1.9 million (2013/14 £0.2 million)

The numbers of exit packages with total cost per band and total cost of compulsory and other redundancies are set out in the table below:

2013/14					2014/15				
Number of compulsory redundancies	Number of other departure agreed	Total number of exit packages	Total cost of exit packages £m	Exit package cost band (incl special payments)	Number of compulsory redundancies	Number of other departure agreed	Total number of exit packages	Total cost of exit packages £m	
101	137	238	1.8	£0 - £20,000	149	67	216	1.4	
15	23	38	1.1	£20,001 - £40,000	21	7	28	0.8	
2	7	9	0.5	£40,001 - £60,000	10	1	11	0.5	
2	2	4	0.2	£60,001 - £80,000	3	0	3	0.2	
2	4	6	0.5	£80,001 - £100,000	0	0	0	0.0	
1	1	2	0.2	£100,001 - £150,000	0	0	0	0.0	
123	174	297	4.3	Total Termination	183	75	258	2.9	

13. Dedicated Schools Grant

	Central Expenditure	Individual Schools Budget	Total
	£m	£m	£m
Final DSG for 2014/15	0.0	0.0	357.2
Academy Recoupment 2014/15	0.0	0.0	(131.4)
Total DSG after recoupment	0.0	0.0	225.8
Brought forward from 2014/15	0.0	0.0	7.6
Agreed budgeted distribution in 2014/15	41.2	192.2	233.4
In year adjustments	(0.3)	0.5	0.2
Final budgeted distribution	40.9	192.7	233.6
Actual expenditure	(31.5)	(189.5)	(221.0)
Carry forward to 2015/16	9.4	3.2	12.6

14. Grant and Contribution Income

14.1 Comprehensive Income and Expenditure Statement - Credited to Services

2013/14		2014/15
£m		£m
	Adult Services & Health	
0.0	Social Care in Support of Health	9.4
25.9	Public Health	26.5
0.0	IDTS	2.9
0.0	Better Care Fund	1.7
1.5	Other	2.4
27.4		42.9
	Children's Services	
244.3	Dedicated Schools Grant	225.9
7.3	Education Service Grant	6.4
9.2	Pupil Premium	12.0
7.6	Post 16 Learning Skills Council	4.3
4.7	Bromsgrove Schools PFI Grant	4.7
0.0	Universal Free School Meals	4.1
5.5	Other	7.3
278.6		264.7
	Business, Environment & Community	
1.0	Transport	0.7
5.1	Libraries & Community	4.9
4.1	Waste Disposal Private Finance Initiative	1.8
2.0	Environment / Winter Damage	1.8
1.1	Other	3.8
13.3		13.0
	Other	
1.8	New Homes	2.1
1.5	Other	0.6
3.3		2.7
322.6	Total Credited to Services	323.3

14.2 Comprehensive Income and Expenditure Statement-Grant – Credited to taxation and non-specific grant income

2013/14		2014/15
£m	Credited to taxation and non-specific grant income:	£m
83.4	Revenue Support Grant	72.1
2.2	Council Tax Freeze Grant	0.0
0.6	Council Tax Transition	0.0
0.5	Small Business Rate support	1.4
86.7	Total non-ring fenced Government grants	73.5
	Capital Grants	
1.3	Community Capacity	1.3
13.8	Transport	17.7
0.0	Green Deal	3.7
0.0	Broadband Project	3.7
16.0	Structural Maintenance	12.0
9.8	Children's Services	10.2
	Other Capital Grants	0.2
40.9	Total Capital Grants	48.8
	Contributions	
0.0	Bromsgrove High St improvement contribution	1.1
0.0	Parkside, Bromsgrove development contribution	3.5
0.0	Other contributions	3.1
40.9	Total Capital Grants and Contributions received	56.5
0.0	Less Grants applied to CI&E re Revenue expenditure funded from capital under statute (REFCUS)	(11.2)
40.9	Total Capital Grants and Contributions	45.3
127.6	Total credited to taxation and non-specific grant income	118.8

15. Related Parties

15.1 Central Government

Central Government has significant influence over the general operations of the County Council. It is responsible for providing the statutory framework within which the County Council works, provides funding in the form of grants, and sets the terms of many of the relationships that the County Council has with other organisations. Grants received from government departments are set out in the subjective analysis in Note 5 on reporting for resource allocation decisions and in note 14 breakdown of grant income.

15.2 Members

Members of the County Council have direct control over the County Council's financial and operating policies. The total of members' allowances paid in 2014/15 is shown in Note 9. Members of the County Council are involved with other local organisations that have provided services for, or received services from the County Council. There are no related party disclosures to be made for elected members.

15.3 Officers

Officers of the County Council are involved with other local organisations that have provided services for, or received services from the County Council. There are no related party disclosures to be made for officers.

15.4 Section 75 Pooled budgets

The County Council has an integrated commissioning of services with Health through a Section 75 Pooled budget arrangement (details given in Note 8). Monitoring is through the Joint Commissioning Executive, agreed and controlled through the Clinical Commissioning Group board and the Health and Wellbeing Board.

15.5 Worcestershire County Council Pension Fund

At the year end, the County Council charged the Fund £1.2 million (£0.9m in 2013/14) for expenses incurred in administering the Pension Fund.

15.6 West Mercia Energy Joint Committee

The County Council is represented by its elected members on the West Mercia Energy Joint Committee. West Mercia Energy offers energy procurement and management on behalf of its four owning authorities and a number of outside bodies. WME is constituted as a Joint Committee and the County Council is one of four constituent authorities, alongside Shropshire Council, Herefordshire Council and Telford and Wrekin Council. The County Council spent £7.0 million with WME in 2014/15 and this is reflected in the Comprehensive Income and Expenditure Statement.

15.7 Malvern Hills Science Park

Malvern Hills Science Park is a limited company established by the County Council with its partners Malvern Hills District Council and the Hereford and Worcester Chamber of Commerce and Enterprise. The County Council holds 9 voting shares out of a total issue of 100. The County Council does not have a controlling interest in the company. In addition the County Council holds Preference shares of 957,103 P1 shares (957,103 in 2013/14) and 6190 P2 shares (nil in 2013/14). The preference shares carry no voting rights. The County Council's investment of £4.4m is shown on the Balance sheet as a Long Term investment and the asset is held as an available for sale financial asset (included in note 28).

15.8 Worcestershire Business Rates Pool

The County Council is the lead authority for the Worcestershire Business Rates Pool whose members are the County Council, Malvern Hills District Council, Worcester City Council, Wychavon District Council and Wyre Forest District Council. The Pool's aims are to drive forward economic growth and mitigate the effects of the volatility in local business rates with the additional local benefits devolved through the business rates retention scheme. The value of transactions in 2014/15 is £40.8 million (2013/14 was £39.7 million) of which £40.0 million (2013/14 £39.3 million) is included in the Council's non-domestic rates income in Note 18 Taxation and Non-Specific Grants.

15.9 Municipal Bonds Agency

The County Council has purchased £0.1m of equity shares in the Local Capital Finance Company Plc. The purpose of this shareholding is to support more diverse sources of Capital Financing being made available to the Local Authority sector. There are a large number of investors and the County Council's shares represent a negligible interest in the company. None of the shares give the County Council any disproportionate voting rights or control of the company. The shares are held at fair value, due to the immateriality of the amount invested, the fair value of these shares is adjudged at cost.

15.10 Other Public Bodies

The County Council has shared service arrangements with Worcestershire district councils and acts as lead body for a number of smaller partnerships, including the Local Enterprise Partnership (LEP). The LEP, with an annual expenditure of £1.7 million of which £0.9m related to Growing Places loans advanced. The LEP is a partnership of local councils, local businesses, trade organisations and the voluntary sector working together with the aim of developing the best business environment for the County.

16. Other Operating Expenditure

2013/14 restated		2014/15
£m		£m
0.4	Admin Expenses Pension	0.4
172.8	(Gain)/Loss on disposal of non-current assets	8.1
173.2		8.5

The loss on disposal relates to the removal of assets off the balance sheet where the County Council does not have control of the use of the asset. In 2014/15 this is mainly due to the transfer of assets to newly formed Academy schools and the removal of cumulative minor capital expenditure relating to Voluntary Aided and Voluntary Controlled schools.

17. Financing and Investment Income and Expenditure

2013/14		2014/15
£m		£m
18.4	Interest payable and similar charges	18.7
15.4	Interest on the net defined benefit liability	12.0
0.0	Loss on transfer of schools to academies	42.4
(0.4)	Interest receivable and similar income	(1.0)
33.4		72.1

18. Taxation and Non Specific Grants

2013/14		2014/15
£m		£m
(197.5)	Council tax income	(206.6)
(54.8)	Non domestic rates	(56.4)
(86.7)	Non-ring fenced government grants	(73.5)
(40.9)	Capital grants and contributions	(45.3)
0.2	Environment Agency	0.2
(379.7)		(381.6)

19. Property, Plant and Equipment

19.1 Movements in 2014/15

	Land and Buildings	Vehicles, plant, furniture & equipment	Infrastructure assets	Community Assets	Assets under Construction	Total Property, Plant & Equipment	PFI Assets included in PPE
	£m	£m	£m	£m	£m	£m	£m
Cost or valuation							
At 1 April 2014	844.5	54.5	357.3	0.3	39.2	1,307.3	83.5
Additions	18.5	2.4	30.6	0.0	29.4	80.9	1.0
Revaluation increases / (decreases) recognised in Revaluation Reserve	23.1	0.1	0.0	0.0	0.0	23.2	1.9
Derecognition – disposals	(56.5)	(1.2)	0.0	0.0	0.0	(57.7)	0.0
Assets reclassified to Held for Sale	(0.9)	0.0	0.0	0.0	0.0	(0.9)	0.0
Assets reclassified to other categories	0.0	0.0	0.0	0.0	0.0	0.0	0.0
At 31 March 2015	828.7	55.8	387.9	0.3	68.6	1,341.3	86.4
	Land and Buildings	Vehicles, plant, furniture & equipment	Infrastructure assets	Community Assets	Assets under Construction	Total Property, Plant & Equipment	PFI Assets included in PPE
	£m	£m	£m	£m	£m	£m	£m
Accumulated depreciation and impairment							
At 1 April 2014	(269.9)	(44.8)	(147.0)	0.0	0.0	(461.7)	(4.2)
Depreciation charge:							
Depreciation written out to the Revaluation Reserve	(1.6)	0.0	0.0	0.0	0.0	(1.6)	(0.1)
Depreciation written out to the Surplus / Deficit on the Provision of Services	(7.2)	(4.2)	(18.5)	0.0	0.0	(29.9)	(0.7)
Derecognition – disposals	3.6	0.6	0.0	0.0	0.0	3.6	0.0
Impairment losses / (reversals) recognised in the Revaluation Reserve	(13.9)	(0.1)	0.0	0.0	0.0	(14.0)	0.0
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	(28.8)	0.0	0.0	0.0	0.0	(28.8)	(2.3)
At 31 March 2015	(317.8)	(48.5)	(165.5)	0.0	0.0	(531.8)	(7.3)
Net book value							
At 31 March 2015	510.9	7.3	222.4	0.3	68.6	809.5	79.1
At 31 March 2014	574.6	9.7	210.3	0.3	39.2	834.1	79.3

Note; Assets Under construction includes £24 million for Habberly Learning Campus due for completion in the summer 2015.

19.2 Comparative Movements in 2013/14

	Land and Buildings	Vehicles, plant, furniture & equipment	Infrastructure assets	Community Assets	Assets under Construction	Total Property, Plant & Equipment	PFI Assets included in PPE
	restated £m	£m	£m	£m	restated £m	restated £m	£m
Cost or valuation							restated
At 1 April 2013	970.8	50.4	337.9	0.3	33.3	1,392.7	89.7
Additions	31.5	2.3	19.4	0.0	(5.9)	59.1	1.4
Revaluation increases / (decreases) recognised in Revaluation Reserve	32.6	1.8	0.0	0.0	0.0	34.4	11.0
Derecognition – disposals	(187.1)	0.0	0.0	0.0	0.0	(187.1)	(18.6)
Assets reclassified to Held for Sale	(3.2)	0.0	0.0	0.0	0.0	(3.2)	0.0
Assets reclassified to other categories	(0.1)	0.0	0.0	0.0	0.0	(0.1)	0.0
At 31 March 2014	844.5	54.5	357.3	0.3	39.2	1,295.8	83.5
	Land and Buildings	Vehicles, plant, furniture & equipment	Infrastructure assets	Community Assets	Assets under Construction	Total Property, Plant & Equipment	PFI Assets included in PPE
	£m	£m	£m	£m	£m	£m	£m
Accumulated depreciation and impairment							
At 1 April 2013	(249.5)	(40.2)	(128.5)	0.0	0.0	(418.2)	(3.8)
Depreciation written out to the Revaluation Reserve	(1.7)	0.0	0.0	0.0	0.0	(1.7)	0.0
Depreciation written out to the Surplus / Deficit on the Provision of Services	(10.7)	(4.6)	(18.5)	0.0	0.0	(33.8)	(1.0)
Derecognition – disposals	15.2	0.0	(0.0)	0.0	0.0	15.2	0.6
Impairment losses / (reversals) recognised in the Revaluation Reserve	(6.3)	0.0	0.0	0.0	0.0	(6.3)	0.0
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	(16.9)	0.0	0.0	0.0	0.0	(16.9)	0.0
At 31 March 2014	(269.9)	(44.8)	(147.0)	0.0	0.0	(461.7)	(4.2)
Net book value							
At 31 March 2014	574.6	9.7	210.3	0.3	39.2	834.1	79.3
At 31 March 2013	721.2	10.2	209.4	0.3	33.3	974.5	85.9

19.3 Revaluations

	Land and Buildings	Vehicles, plant, furniture & equipment	Infrastructure assets	Community Assets	Assets under Construction	Total Property, Plant & Equipment	PFI Assets included in PPE
	£m	£m	£m	£m	£m	£m	£m
Carried at historical cost	61.7	6.2	222.4	0.3	68.6	359.2	65.2
Valued at fair value as at:							
31 March 2015	101.5	0.0	0.0	0.0	0.0	101.5	1.9
31 March 2014	150.7	1.0	0.0	0.0	0.0	151.7	12.0
31 March 2013	92.7	0.0	0.0	0.0	0.0	92.7	0.0
31 March 2012	50.9	0.0	0.0	0.0	0.0	50.9	0.0
31 March 2011	53.4	0.0	0.0	0.0	0.0	53.4	0.0
Total cost or valuation	510.9	7.2	222.4	0.3	68.6	809.4	79.1

19.4 Contractual Commitments for Property, Plant and Equipment

As at 31 March 2015 the County Council has a capital programme comprising capital projects amounting to £344.1 million (2013/14 £293.5 m).

Major schemes where contracts have been let:

	£m
New School at Stourport Burlish Park Primary	2.6
Evesham St Andrews CE first school	2.2
Worcester Transport Strategy	2.9
Green Deals Projects	3.3
Energy from Waste	88.5
Local Broadband Plan Phases 1 & 2	13.7
Parkside Redevelopment	2.4
Sub-total	115.6
Committed schemes less than £2m	11.9
Total Commitment	127.5

19.5 School Assets

There are 180 local authority maintained and 61 academy schools and 1 Free school in the County. The level of control by the County Council over the use of the assets has determined which assets are held on the County Councils Balance sheet. The County Council may have residual values for some retained assets shown against a category primarily off balance sheet (for example mobile classrooms).

	Number of schools	Value held on Balance Sheet at 31 March 2015 £m	Status
Community	91	300.2	On Balance Sheet
PFI	6	48.5	On Balance Sheet
Voluntary controlled	60	4.0	Off Balance Sheet
Voluntary aided	23	0.6	Off Balance Sheet
Academy	61	0.5	Off Balance Sheet
Free School	1	0.0	Off Balance Sheet
	242	353.8	

20. Heritage Assets

	Museum Collection	Record Office	Other	Total Assets
	£m	£m	£m	£m
Balance at 1 April 2014	0.8	0.6	0.3	1.7
Variations in year	0.0	0.0	0.0	0.0
Balance at 31 March 2015	0.8	0.6	0.3	1.7

21. Investment Property

2013/14		2014/15
Total		Total
£m		£m
0.0	Balance at start of the year:	0.1
0.1	Transfers to/from Property, Plant & Equipment	0.0
0.1	Net carrying amount at the start of the year	0.1

22. Intangible Assets

2013/14		2014/15
Total		Total
£m		£m
	Balance at start of the year:	
2.3	Gross carrying amounts	2.5
(2.1)	Accumulated amortisation	(2.3)
0.2	Net carrying amount at the start of the year	0.2
0.3	Additions	0.2
(0.3)	Amortisation for the period	(0.1)
0.2	Net carrying amount at end of year	0.3
	Comprising:	
2.3	Gross carrying amount	2.7
(2.1)	Accumulated amortisation	(2.4)
0.2		0.3

23. Assets Held for Sale

Non-current		Non-current
2013/14		2014/15
£m		£m
11.6	Balance outstanding at start of year	10.7
3.2	Property, plant & equipment newly classified as held for sale	2.8
0.6	Revaluation gains	0.9
(0.1)	Impairment losses	(2.3)
0.0	Property, plant & equipment declassified as held for sale	(1.9)
(4.6)	Assets sold	(4.7)
10.7	Balance outstanding at year end	5.5

24. Downward Revaluations and Disposal Losses

The County Council incurs losses on asset values either through impairment of asset values as a result of losses in market value or through disposal at less than net book value. 2014/15 includes de-recognition of cumulative minor capital expenditure on Voluntary Aided and Voluntary Controlled schools and the impairment reflects a change in the recommended valuation bases for smallholdings.

2013/14 restated £m		2014/15 £m
23.3	Downward Revaluations - other land and buildings	42.7
0.1	Downward Revaluations - non-operational	2.2
172.8	Disposal losses – other land & buildings	50.5
196.2		95.4

25. Capital Expenditure and Capital Financing

2013/14 £m		2014/15 £m
403.2	Opening capital financing requirement	398.5
	Capital investment:	
59.2	Property, plant and equipment	106.5
0.3	Intangible assets	0.2
0.5	Revenue expenditure funded from capital under statute	14.6
	Sources of finance:	
(1.7)	Capital receipts	(11.6)
(40.6)	Government grants & other contributions	(63.2)
	Sums set aside from revenue:	
(6.7)	Direct revenue contributions	(8.0)
(15.7)	MRP/loans fund principal (excluding PFI)	(15.6)
398.5	Closing Capital Financing Requirement	421.4
	Explanation of movements in year	
(4.7)	Increase / (decrease) in underlying need to borrow (supported by government financial assistance)	22.9
(4.7)	Increase / (decrease) in Capital Financing Requirement	22.9

26. Leases

26.1 County Council as Lessee – operating leases

Operating lease payments of £1.2 million were made in 2014/15 (2013/14 £1.3m). The County Council's outstanding obligations under lease agreements as at 31 March 2015 totalled £13.3 million (31 March 2014 £15.0m).

	£m
Leases expiring in less than 1 year	1.0
Leases expiring between 1 and 5 years	3.4
Leases expiring in 5 years+	9.0

The County Council leases photocopiers in a number of its establishments, on individual lease arrangements, with an estimated total asset value at 31 March 2011 of £1.1 million. None of the photocopiers is individually of material value and there has been no adjustment to the County Council's balance sheet.

26.2 County Council as Lessor – operating leases

Operating receipts of £1.1 million were received in 2014/15 (2013/14 £1.4m). Outstanding obligations under lease agreements to the County Council as at 31 March 2015 totalled £3.0 million (31 March 2014 £3.6m).

	£m
Leases expiring in less than 1 year	1.0
Leases expiring between 1 and 5 years	1.6
Leases expiring in 5 years+	0.4

26.3 County Council as Lessor – finance leases

The County Council has 60 community schools which have converted to academy status. The non-current assets relating to these schools are leased to the academies for 125 years. The County Council does not receive any income in relation to these leases.

27. Private Finance Initiatives

27.1 Waste Disposal PFI

In December 1998 the County Council in partnership with Herefordshire Council entered into a 25 year contract with Mercia Waste Management Limited for the provision of an integrated waste management system using the Private Finance Initiative.

Under the contract the Authorities are required to ensure that all waste for disposal is delivered to the Contractor who will take responsibility for recycling or recovering energy from the waste stream. In total the estimated cost over the life of the contract is approximately £500 million of which approximately 75% relates to the County Council. The contractor is at risk if waste tonnage fluctuates although the Authorities will be liable for a minimum payment of about £6 million per year in future years.

A variation to the contract was signed in May 2014 to design, build, finance and operate an Energy from Waste Plant. Construction completion is planned for 2017 with a funding requirement of £195 million and an uplift to the Unitary Charge for both Councils agreed at £2.7 million.

Both Councils will be providing circa 82% of the Project Finance requirement from their own planned borrowing from the Public Works and Loans Board with the remaining 18% being provided by the equity shareholders of Mercia Waste Management Services. The loan is shown under long term Debtors on the Balance sheet and the effective interest rate is shown under financial investments on the Comprehensive Income and Expenditure Statement.

27.2 Bromsgrove Schools PFI

In December 2005 the County Council entered into a 30 year contract with HBG PFI Projects Ltd for the replacement of seven schools in the Bromsgrove area. The estimated cost over the life of the contract is approximately £300 million. During 2007/08 the seven new schools were completed and opened to provide educational services for the children of Bromsgrove and the surrounding area. In 2013/14 one school became an Academy. This has no impact to the main PFI contract. The Academy has entered into an agreement with the County Council to continue the obligations of the school in respect of the PFI contract.

27.3 Worcester Library and History Centre (The Hive) PFI

In January 2010 the County Council entered into a PFI contract with Galliford Try Investments Ltd for the construction and provision of a new Worcester Library and History Centre (The Hive). The Hive became operational in January 2012 and opened to the public in the summer of 2012.

The Hive is a partnership initiative between the County Council and the University of Worcester for the provision of a fully integrated public and University library, plus the Worcestershire Record Office, Worcestershire Historic Environment and Archaeology Service and Worcestershire Hub Customer Service Centre.

The service term for the contract is 25 years from the handover of the facility and the annual unitary payment during the life of the contract is £4.6 million, at April 2007 prices. The contract allows for indexation by the retail prices index of the service element of the contract (30% of the unitary payment) annually. At the end of the contract term the assets transfer to the County Council and the University on a 70/30 basis. The contract also allows for an extension to the provision of services by Galliford Try Investments Ltd.

The University leases 2 railway arches on the site from Network Rail and 70% of the lease is charged to the County Council. The lease term is 35 years and started in January 2010, with a 5 yearly RPI uplift review. The Arches lease has been assessed as a finance lease, however as the asset value of £0.2 million is not material; the lease has been accounted for as an operating lease, with the annual payments being charged to Cultural and Related Services in the Comprehensive Income and Expenditure Statement.

27.4 Value of Assets and Liabilities under PFI Contracts

PPE - land & buildings	Waste disposal £m	Bromsgrove schools £m	The Hive £m	Total £m	PPE - vehicle, plant & equipment
					Waste disposal £m
Balance at 31 March 2014	7.0	48.9	23.3	79.2	0.1
Additions	0.0	0.7	0.3	1.0	0.0
Revaluations	1.8	0.0	0.0	1.8	0.1
Impairment	(2.2)	0.0	0.0	(2.2)	(0.1)
Depreciation	(0.2)	(0.4)	(0.2)	(0.8)	0.0
Balance at 31 March 2015	6.4	49.2	23.4	79.0	0.1

Finance lease liability	Waste disposal £m	Bromsgrove schools £m	The Hive £m	Total £m
Additions	(0.4)	0.0	0.0	(0.4)
Payments	1.4	0.9	0.3	2.6
Balance at 31 March 2015	(8.1)	(55.2)	(19.6)	(82.9)

27.5 Details of Payments due to be made under PFI Contracts

	Repayment of liability £m	Service Charge £m	Interest £m	Total £m
Payments due within one year	2.6	30.4	7.5	40.5
Payments due within 2 to 5 years	11.7	122.1	28.4	162.2
Payments due within 6 to 10 years	15.8	100.6	29.8	146.2
Payments due within 11 to 15 years	15.5	22.7	23.3	61.5
Payments due within 16 to 20 years	23.8	22.8	14.9	61.5
Payments due within 21 to 25 years	17.6	12.4	3.0	33.0

The payments due are based on prices at the Balance Sheet date.

27.6 Non-Operational PFI Schemes

In March 2004 the County Council in partnership with Wolverhampton City Council entered into an 8 year contract with Nord Anglia Education PLC for the provision of a Virtual Workspace (an internet-based education portal). The contract was terminated in 2008/09. The DfE have indicated that the remaining grant can be retained and utilised in the provision of equivalent schemes; the retained grant totalled £1.4 million at 31 March 2015 and is held as an earmarked reserve.

28. Financial Instruments

28.1 Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

Long-term 31 March 2014 £m	Current 31 March 2014 £m		Long-term 31 March 2015 £m	Current 31 March 2015 £m
Investments				
0.0	60.0	Loans & receivables	0.0	47.5
0.9	0.0	Available for sale financial assets	4.5	0.0
0.9	60.0	Total Investments	4.5	47.5
Cash Equivalents				
0.0	7.0	Cash equivalents at amortised cost	0.0	0.0
0.0	11.6	Available for sale Investments	0.0	9.1
0.0	18.6	Total cash	0.0	9.1
Debtors				
3.8	25.0	Loans & receivables	23.3	29.2
3.8	25.0	Total Debtors	23.3	29.2
Borrowings				
205.4	37.9	Financial liabilities at amortised cost	220.7	40.6
205.4	37.9	Total Borrowings	220.7	40.6
Other long term liabilities				
85.1	0.0	PFI and finance lease liabilities	82.9	
85.1	0.0	Total Other long term liabilities	82.9	
Creditors				
0.7	61.8	Financial liabilities at amortised cost	0.9	58.9
0.7	61.8	Total Creditors	0.9	58.9

28.2 Income, Expense, Gains and Losses

2013/14			2014/15			
Financial liabilities at amortised cost £m	Financial assets, loans & receivables £m	Total £m		Financial liabilities at amortised cost £m	Financial assets, loans & receivables £m	Total £m
(18.4)	(0.1)	(18.5)	Interest expense	(18.6)	(0.1)	(18.7)
(18.4)	(0.1)	(18.5)	Total expense in Surplus or Deficit on the Provision of Services	(18.6)	(0.1)	(18.7)
0.0	0.5	0.5	Interest income	0.0	1.0	1.0
0.0	0.5	0.5	Total income in Surplus or Deficit on the Provision of Services	0.0	1.0	1.0
(18.4)	0.4	(18.0)	Net gain / (loss) for the year	(18.6)	0.9	(17.7)

28.3 Fair Value of Assets and Liabilities

31 March 2014		31 March 2015	
Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Financial liabilities			
305.2	347.1	320.2	418.4
85.1	136.7	82.9	147.2
0.7	0.7	0.9	0.9
Financial assets			
86.0	86.0	81.3	81.3
3.8	3.8	9.1	9.1
18.6	18.6	23.3	23.3

29. Nature and Extent of Risks arising from Financial Instruments

The County Council's activities expose it to a variety of financial risks. The key risks are:

- Credit risk - the possibility that other parties might fail to pay amounts due to the County Council;
- Liquidity risk - the possibility that the County Council might not have funds available to meet its commitments to make payments; and
- Market risk - the possibility that financial loss might arise for the County Council as a result of changes in such measures as interest rates movements.

The County Council's overall risk management procedures focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the resources available to fund services. The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and associated regulations. These require the County Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Act. Risk management is carried out by a central treasury team under policies approved by the County Council in the Treasury Management Strategy. The Strategy for 2014/15 was approved by Council on 6 February 2014 and is available in the relevant Cabinet papers on the County Council's website via the following link:
<file:///U:\U164%20FS\U138%20Accountancy\01%20Corp%20Acc\04%20Final%20Accounts\17%201415\Guidance%20and%20Research\Treasury%20Management%20strategy%20feb%2014%20cabinet%20report.pdf>

29.1 Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the County Council's customers. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria which are based on the Fitch, Moody's and Standard & Poor's Credit Ratings Services and other additional criteria such as geography. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution.

During 2014/15 the County Council defined a body with high credit quality as Short Term of F1+ and Long Term AA (Fitch or equivalent rating); the County Council also placed funds with part government-owned banks and AAA-rated Money Market Funds. All three ratings agencies were used with the lowest of the three opinions being used. In practice the County Council deposited its surplus funds with the UK Central Government via the Debt Management Office, RBS Group, Lloyds Banking group, five selected Money Market Funds and with other Local Authorities. There was a limit of £10m with each counterparty, except for the account with the DMO which has no limit.

The Authority's maximum exposure to credit risk in relation to its investments in other Local Authorities and the DMO of £47.5m has been assessed as a negligible sum; all other deposits of £9.1m may be readily converted into cash and as such are subject to negligible credit risk. Recent experience has shown that it is unprecedented for such entities to be unable to meet their commitments. A theoretical risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence as at 31st March 2015 that this was likely to crystallise

The County Council does not generally allow credit for customers, £4.6 million of the £12.8 million balance is past its due date for payment and can be analysed as follows:

	£m
One to three months	1.3
Three to six months	1.4
Six months to one year	0.4
More than one year	1.5
Total	4.6

The County Council regularly reviews outstanding debtors and calculates the potential for default. The current bad debt provision for trade debtors in the balance sheet is £0.25 million.

29.2 Liquidity Risk

The County Council has a comprehensive cash flow system that seeks to ensure that cash is available as needed. As the County Council has ready access to borrowings from the money markets to cover any day to day cash flow need and from the Public Works Loans Board and money markets for longer term funds, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. All sums invested (£56.6 million) are due to be repaid in less than one year.

There is also the risk that the County Council will be bound to replenish a significant proportion of its borrowing during specified periods from the reporting date. The current strategy is to have no more than 25% of total borrowing maturing within 1 year, no more than 25% maturing more than 1 but less than 2 years, no more than 50% maturing more than 2 but less than 5 years, no more than 75% maturing more than 5 but less than 10 years and at least 25% maturing in more than 10 years; through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments. The maturity analysis of financial liabilities (loans) is as follows:

31 March 2014		31 March 2015
£m		£m
38.0	Maturing within one year	40.6
26.4	Maturing in 1-2 years	25.9
20.0	Maturing in 2-5 years	16.6
29.7	Maturing in 5-10 years	40.8
129.3	Maturing in more than 10 years	137.4
243.4	Total	261.3

29.3 Market Risk - Interest Rates

The County Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the County Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise;
- Borrowings at fixed rates – the fair value of the borrowing will fall;
- Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise; and
- Investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. No variable rate borrowing or investments were held by the County Council during the financial year ending 31 March 2015.

The County Council has a number of strategies for managing interest rate risk. The policy, as detailed in the Prudential Indicators for Treasury Management Report, is to aim to keep a maximum of 30% of its borrowings in variable rate loans. The report can be accessed via <http://public.worcestershire.gov.uk/web/home/DS/Documents/Appendix/Cabinet/Agendas%20and%20Reports%202014/Thursday,%206th%20February%202014/budget-app11.pdf>

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget. Monthly budget monitoring allows any adverse changes to be accommodated and, together with input from Treasury Management advisors, will determine whether new borrowing taken out is fixed or variable.

29.4 Price Risk

The County Council has invested £0.1m in the Local Capital Finance Company as Equity shares. Since these shares represent a negligible interest in the Company and their face value is immaterial, they will be held at cost.

The County Council holds Preference Shares to the value of £4.4million in Malvern Hills Science Park, a joint venture with Malvern Hills District Council and Herefordshire and Worcestershire Chamber of Commerce. No active market exists for this class of share and, as a result, there is no movement in price and no exposure to loss. See note 15.7 Related Parties for further information.

29.5 Foreign Exposure Risk

The County Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rate.

30. Inventories

2013/14			2014/15		
Environmental Services Stock	Other Stocks	Total	Environmental Services Stock	Other Stocks	Total
£m	£m	£m	£m	£m	£m
0.1	0.2	0.3	0.5	0.2	0.7
1.1	0.1	1.2	0.7	0.1	0.8
(0.7)	(0.1)	(0.8)	(0.7)	(0.1)	(0.8)
0.5	0.2	0.7	0.5	0.2	0.7

31. Long Term Debtors

An analysis of long term debtors is shown below:

31 March 2014		31 March 2015
£m		£m
0.0	Loans Treated as Capital Expenditure	19.5
2.4	Accrued Accommodation (relating to Adult services)	2.2
1.5	Other Long Term Debtors	1.6
3.9	Total	23.3

32 Short Term Debtors

An analysis of current debtors is shown below:

31 March 2014		31 March 2015
£m		£m
8.2	Central government bodies	17.4
6.8	Other local authorities	6.6
5.6	NHS bodies	6.1
0.1	Public corporations and trading funds	0.0
22.3	Other entities and individuals	21.8
43.0	Total	51.9

33. Cash and Cash Equivalents

The cash total includes £0.8 million in local imprest accounts and schools that operate their own bank accounts for revenue expenditure and income. This is reduced by £0.9 million to take account of BACS transactions that are outstanding at 31 March 2015. Short term investments are cash in the money market which can be recalled with less than 1 day's interest.

	Opening Balance 01/04/2014 £m	Movement During The Year £m	Closing Balance 31/03/2015 £m
Bank current accounts	(4.8)	4.7	(0.1)
Short Term investments held as cash	18.6	(9.5)	9.1
Total Cash and cash equivalents	13.8	(4.8)	9.0

34. Short Term Creditors

31 March 2014 £m		31 March 2015 £m
10.7	Central Government Bodies	11.1
12.1	Other local authorities	11.7
4.0	NHS bodies	11.1
0.4	Public corporations & trading funds	0.8
78.6	Other entities and individuals	70.1
105.8	Total	104.8

35. Provisions

	Opening Balance 01/04/14 £m	Contributions		Closing Balance 31/03/15 £m
		To £m	From £m	
Long term provisions:				
Restructuring Provision	0.7	0.0	(0.1)	0.6
S117 Mental Health Clients (contingent Liabilities)	0.1	0.0	0.0	0.1
Other	0.5	0.0	(0.1)	0.4
Total Long Term	1.3	0.0	(0.2)	1.1
Short term provisions:				
Restructuring Provision	0.7	0.6	0.0	1.3
Other	0.0	0.6	0.0	0.6
Total Short Term	0.7	1.2	0.0	1.9
Total Provisions	2.0	1.2	(0.2)	3.0

The restructuring provision reflects anticipated redundancy costs incurred as a result of changes to the way the County Council works.

36. Other Long Term Liabilities

2013/14 £m		2014/15 £m
(85.1)	PFI liabilities	(82.9)
(283.1)	Re-measurement of the net defined benefit	(387.2)
(4.0)	Teachers' Pension scheme Added year	(4.0)
(372.2)	Other Long term Liabilities	(474.1)

37 Pensions Schemes accounted for as Defined Contribution Schemes

It is not possible for the County Council to identify its share of the underlying liabilities attributable to its own employees within the Teachers' and NHS Defined contribution schemes, and therefore for the purposes of the Statement of Accounts they are accounted for as defined contribution schemes, that is, actual costs are included in the revenue accounts, with no assets or liabilities in the balance sheet.

37.1 Teachers' Pension Scheme

The Teachers' Pension Scheme is a defined benefit scheme administered by the Teacher's Pensions Agency. Although the scheme is unfunded, a notional fund is used as a basis for calculating the employers' contribution rate.

In 2014/15 the County Council paid £13.0 million (2013/14 £14.8m) to the Department for Education and Skills in respect of teachers' pension costs, which represents 14.1% (2013/14 14.1%) of teachers' pensionable pay.

In addition, the County Council is responsible for all pension payments relating to Teacher's added years it has awarded, together with the related increases. In 2014/15 these amounted to £0.4 million (2013/14 £0.4 m), representing 0.4% (2013/14 0.4%) of pensionable pay. The County Council's Actuary has calculated a long-term liability of £4 million in respect of these payments that will decline over time, and this is included in the balance sheet under other long term liabilities.

37.2 NHS Pension Scheme

The NHS pension scheme is a defined benefit scheme administered by the NHS Superannuation Scheme. On 1 April 2013 staff transferred to the County Council under the new arrangements for Public Health Services including some staff within the NHS pension scheme.

In 2014/15 the County Council paid £0.1 million (2013/14 £0.1 million) to the NHS Superannuation scheme, which represents 14.0% (2013/14 14.0%) of NHS pensionable pay.

38. Defined Benefit Pension Schemes

As part of the terms and conditions of employment of its employees, the County Council offers retirement benefits through the Local Government Pension Scheme. Although these benefits will not actually be payable until employees retire, the County Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The County Council administers and participates in the Worcestershire County Council Pension Fund, which is a Defined Benefit scheme. This means the retirement benefits are determined independently of the investments of the fund and the County Council has an obligation to make contributions where assets are insufficient to meet employee benefits. The County Council and employees pay contributions into the fund which is calculated at a level intended to balance pension's liabilities with investment assets.

The pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme, as at 31st March 2015, is the responsibility of the Chief Financial Officer of Worcestershire County Council. The Chief Financial Officer is advised in his role as Scheme Manager by the Shadow Pension Committee. From 1st June 2015 the responsibility of Scheme Manager for the Worcestershire County Council Pension Fund will transfer from the Chief Financial Officer to a newly established Pension Committee. Policy is determined in accordance with the Pensions Fund Regulations. The management of the fund's assets is operated through six specialist external managers.

The three principal risks to the scheme are:-

1. Market risk (volatility in stock prices, increase in interest rates and fluctuations in currency exchange rates);
2. Credit risk where a borrower does not make payments as promised; and
3. Liquidity risk in that a given security or asset cannot be traded quickly enough in the market.

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

38.1 Transactions relating to Post-Employment Benefits

The County Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. The charge against the council tax is based on the cash payable in the year, so the real cost of post-employment / retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Local Government Pension Scheme 2013/14 £m		Local Government Pension Scheme 2014/15 £m
Comprehensive Income & Expenditure Statement		
	Cost of services:	
(25.6)	Current service cost	(21.9)
(0.1)	Past service costs	(0.7)
3.1	Settlements and curtailments	6.6
	Other Operating Expenses	
(0.4)	Administration expenses	(0.4)
	Financing & investment income & expenditure	
(15.4)	Net Interest on the net defined benefit liability	(12.0)
(38.4)	Total post-employment benefit charged to the surplus or deficit on the Provision of Services	(28.4)
	Re-measurement of the net defined liability charged to the Comprehensive Income & Expenditure Statement	
25.3	Return on Plan assets (excluding the amount included in net interest expense)	52.3
(6.4)	Actuarial gains & losses arising on changes in demographic assumptions	0.0
89.7	Actuarial gains & losses arising on changes in financial assumptions	(153.6)
4.4	Experience gains & losses	0.0
		(101.3)
74.6	Total post-employment benefit charged to the Comprehensive Income & Expenditure Statement	(129.7)
	Movement in Reserves Statement	
(14.0)	Reversal of net charges made to the surplus or deficit for the Provision of Services for post-employment benefits in accordance with the Code of Practice	(2.8)
	Actual amount charged against the General Fund Balance for pensions in the year:	
24.4	Employer's contributions payable to the scheme	25.6
(30.6)	Retirement benefits payable to pensioners	(32.2)

38.2 Pension assets and Liabilities recognised in the Balance sheet

	2013/14	2014/15
	£m	£m
Present value of liabilities	(931.4)	(1,112.3)
Fair value of assets	648.3	725.1
Surplus / (deficit) in the scheme	(283.1)	(387.2)

Statutory arrangements for funding the deficit mean that the financial position of the County Council remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of the employees (i.e. before payments fall due), as assessed by the scheme actuary

38.3 Liabilities and Assets in relation to Post-Employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

Local Government Pension Scheme		Local Government Pension Scheme
£m		£m
(980.6)	Opening balance at 1 April	(931.4)
(25.6)	Current service cost	(21.9)
(40.5)	Interest cost	(41.1)
(6.8)	Contributions by scheme participants	(6.8)
	Re-measurement (gains) and losses:	
(6.4)	Actuarial gains & losses arising on changes in demographic assumptions	0.0
89.7	Actuarial gains & losses arising on changes in financial assumptions	(153.6)
4.4	Experience gains & losses	0.0
30.6	Benefits paid	32.2
(0.1)	Past service costs	(0.7)
(1.1)	Curtailments	(0.8)
5.0	Settlements	11.8
(931.4)	Closing balance at 31 March	(1,112.3)

Reconciliation of fair value of the scheme assets:

Local Government Pension Scheme		Local Government Pension Scheme
2013/14		2014/15
£m		£m
598.5	Opening balance at 1 April	648.3
25.1	Interest Income	29.0
25.3	Return on plan assets, excluding the amount included in the net interest expense	52.3
(0.4)	Administration expenses	(0.4)
24.4	Employer contributions	25.6
6.8	Contributions by scheme participants	6.8
(30.6)	Benefits paid	(32.2)
(0.8)	Settlements	(4.4)
648.3	Closing balance 31 March	725.0

38.4 Local Government pension assets scheme comprised

2013/14 £m		Quoted (Y/N)	2014/15 £m
Equities:			
167.9	UK Quoted	Y	161.0
233.4	Overseas quoted	Y	277.7
75.8	PIV - UK Managed Funds	N	74.0
110.9	PIV - UK Managed Funds - (overseas equities)	N	147.9
3.9	PIV - Overseas Managed Funds	N	5.8
Bonds:			
4.5	UK Corporate	Y	5.1
36.3	Overseas Corporate	Y	42.1
Cash:			
5.2	Cash Instruments	Y	3.6
3.9	Cash Accounts	Y	0.7
6.5	Net Current Assets	N	7.2
648.3	Total		725.1

38.5 Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Local Government Pension Scheme has been assessed by Mercer Ltd, an independent firm of actuaries, and estimates for the County Council fund are based on the latest full valuation of the scheme as at 1 April 2013.

The principal assumptions used by the actuary are:

2013/14		2014/15
Mortality assumptions		
Longevity at 65 for current pensioners (years):		
23.3	Men	23.4
25.7	Women	25.8
Longevity at 65 for future pensioners (years):		
25.5	Men	25.6
28.0	Women	28.1
Financial assumptions		
2.4%	Rate of CPI inflation	2.0%
3.9%	Rate of increase in salaries	3.5%
2.4%	Rate of increase in pensions	2.0%
4.5%	Rate for discounting scheme liabilities	3.3%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

38.6 Impact on the Defined Benefit Obligation in the Scheme (Liabilities)

	Increase in rate of	Increase (decrease) in Assumption £m
Discount Rate	0.1%	(19.8)
Inflation	0.1%	20.2
Pay	0.1%	4.5
Life Expectancy	1 year	21.4

38.7 Impact on the Authorities Cash Flows

The weighted average duration of the defined benefit obligation for scheme members is 18 years 2014/15 (2013/14 18 years).

The County Council anticipates payments of £18.9 m expected contributions to the scheme in 2015/16.

39. Cash Flow Statement

39.1 Cash Flow Statement – Operating Activities

2013/14 £m		2014/15 £m
0.3	Interest received	0.3
(18.6)	Interest paid	(17.9)
2013/14 restated £m		2014/15 £m
	The surplus/deficit on the provision of services has been adjusted for the following non cash movements	
35.8	Depreciation	31.5
16.9	Impairment and downward valuations	30.4
	Amortisation	0.2
5.0	Increase/(decrease) in Creditors	(0.6)
3.6	(Increase) in Debtors	(9.0)
(0.4)	Decrease in Inventories	(0.0)
14.0	Movement in pension liability	2.8
176.5	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	58.3
(0.5)	Other non –cash items	0.4
250.9		114.0
	The surplus/deficit on the provision of services has been adjusted for the following items that are investing or financing activities	
(3.7)	Proceeds from the sale property plant and equipment, investment property and intangible assets	(7.9)
(40.9)	Any other items for which the cash effects are investing or financing cash flows	(56.4)
(44.6)		(64.3)

39.2. Cash Flow Statement – Investing Activities

2013/14 £m		2014/15 £m
(59.1)	Purchase of property, plant & equipment, investment property and intangible assets	(81.1)
(1,521.5)	Purchase of short-term & long-term investments	(1,158.9)
	Other payments for investing activities	(18.8)
3.7	Proceeds from the sale of property, plant & equipment, investment property and intangible assets	7.9
1,540.4	Proceeds from short-term & long-term investments	1,167.8
40.9	Other receipts from investing activities	56.4
4.4	Net cash flows from investing activities	(26.7)

39.3 Cash Flow Statement – Financing Activities

2013/14 £m		2014/15 £m
0.4	Cash receipts of short-term & long-term borrowing	23.0
(2.3)	Cash payments for the reduction of the outstanding liabilities relating to finance leases & on-balance sheet PFI contracts	(2.5)
(5.0)	Repayments of short- and long-term borrowing	(5.3)
(0.3)	Appropriations to/(from) collection fund account	0.0
(7.2)	Net cash flows from financing activities	(15.2)

40. Accounting Policies

General Principles

The Statement of Accounts for 2014/15 summarises the County Council's transactions for the 2014/15 financial year and its position at 31 March 2015. The Accounts have been prepared in accordance with the Accounts and Audit (England) Regulations 2011, the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code) and the Service Reporting Code of Practice 2014/15 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) in accordance with International Financial Reporting Standards (IFRS).

The core financial statements are as follows:

- Movement in Reserves Statement
- Comprehensive Income and Expenditure Statement
- Balance Sheet
- Cash Flow Statement
- Notes to the Financial Statements

Accruals of Expenditure and Income

Revenue and capital transactions are accounted for on an accruals basis. This means that all revenue income is recorded when the debt has been established rather than when money has been received. Similarly, expenditure is recorded when it is owed rather than when the payment is made.

Money owed to Worcestershire County Council at 31 March is included as Debtors. Money owed by the County Council at 31 March is included as Creditors. Accruals are not made for amounts of less than £500.

Agency Income and Expenditure

The Worcestershire district councils are billing authorities and act as agents, collecting council tax on behalf of the major preceptors and themselves. Council tax transactions and balances are allocated between the billing authorities and major preceptors. The Comprehensive Income & Expenditure Statement reflects the County Council's proportion of the billing authorities' net surplus or deficit. The Balance Sheet has increased debtors and creditors to reflect the attributable share of council tax debtors, overpayments and council tax creditors and a debtor for the billing authority in respect of cash collected from council tax payers but not paid across, or a creditor for cash paid in advance of receipt from council tax payers. The Collection Fund Adjustment Account absorbs the net effect of the billing authorities acting as agents for the County Council in the collection of council tax income.

The Business Rates Retention system was introduced in April 2013. The billing authorities in the Worcestershire area collect business rate income on behalf of the County Council and other precepting bodies in the area as well as for Central Government. The Comprehensive Income & Expenditure Statement reflects the County Council's proportion of the billing authorities' net surplus or deficit. The Balance Sheet has increased debtors and creditors to reflect the attributable share of Business Rates debtors, overpayments and creditors and a provision in respect of potential repayments relating to outstanding appeals. The Non-domestic rate Adjustment Account absorbs the net effect of the billing authorities acting as agents for the County Council in the collection of Business rates.

Carbon Reduction Commitment Energy Efficiency Scheme

The County Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme, Phase 2 runs from April 2014 to March 2019. The County Council has purchased forecast sales over 2 years for 2014/15 and 2015/16. The liability is measured at the best estimate of expenditure required to meet the obligation, normally current market price and will be discharged by surrendering allowances. The cost to the County Council is recognised in the net cost of services within the Comprehensive Income and Expenditure Statement.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank, on demand deposits and short-term investments which are readily convertible to cash.

Contingent liabilities

A contingent liability arises when an event has taken place that gives the County Council a possible obligation which will only be confirmed by the occurrence of uncertain future events not wholly within the control of the County Council. Contingent liabilities are not recognised in the financial statements but disclosed as a note to the accounts. If it becomes probable that an outflow of future economic benefits or service potential will be required then a provision is recognised in the year in which the probability occurs.

Employee Benefits

Benefits Payable during Employment

Employee benefits such as salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits are recognised as an expense to service accounts in the Comprehensive Income and Expenditure Statement.

The accounts reflect an accrual for accumulating short-term absences, that is annual leave and flex time carry forward at 31 March. The charge is made to service accounts in the Comprehensive Income and Expenditure Statement and a short term creditor created on the Balance Sheet.

The impact of this on the Comprehensive Income and Expenditure Statement is reversed out of the service expenditure to the Accumulated Absences Adjustment Account in the Unusable Reserves on the Balance Sheet.

Termination Benefits

Termination benefits are payable as a result of either:

- The County Council's decision to terminate an employee's employment before the normal retirement date, or
- An employee's decision to accept voluntary redundancy.

Termination benefits are recognised immediately as an expense to the service in the Comprehensive Income and Expenditure Statement. The termination benefits detailed in the accounts will include those where the employee can no longer withdraw the offer of the benefit or when the County Council recognises costs for a restructure.

Where termination benefits involve the enhancement of pensions, the General Fund Balance is charged with the amount payable by the County Council to the pension fund or pensioner in the year. In the Movement in Reserves Statement appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace the debits for the cash paid to the pension fund and pensioners and any amounts due but not paid at the year-end.

Post-Employment Benefits

Worcestershire County Council participates in three different pension schemes that meet the needs of employees in particular services. The schemes provide members with defined benefits related to pay and service. The schemes are as follows:

a) The Teachers' Pension Scheme

This is an unfunded scheme administered by the Department for Education (DfE). The pension cost charged to the accounts is the employer's contribution rate that has been set by the DfE on the basis of a notional fund. The scheme is accounted for as a Defined Contribution Scheme – no liability for future payments is recognised on the Balance Sheet and the Children's and Education Service revenue account is charged with the employer's contributions payable to teachers' pension in the year.

b) The NHS Pension Scheme

This is an unfunded scheme administered by the NHS Superannuation scheme. The scheme is accounted for as a Defined Contribution Scheme – no liability for future payments is recognised on the Balance Sheet and the Public Health Service revenue account is charged with the employer's contributions payable to NHS pensions in the year.

c) The Local Government Pension Scheme

Subject to certain qualifying criteria, other employees are eligible to join the Local Government Pension Scheme. The pension costs charged to council tax are equal to the employer's contributions paid to the funded pension scheme for these employees. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis. The scheme is accounted for as a Defined Benefit Scheme – the liabilities of the scheme attributable to the County Council are included in the Balance Sheet on an actuarial basis and the assets of the fund attributable to the County Council are included in the Balance Sheet at their fair value.

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment and funding benefits in accordance with statutory provisions. The balance on the Pensions Reserve shows a substantial shortfall in the benefits earned by past and current employees and the resources available to meet them. The statutory arrangements will ensure that funding is available by the time the benefits come to be paid.

The County Council accounts for post-employment benefits in the Comprehensive Income & Expenditure Statement as the benefits earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. Statutory arrangements, however, require a benefit earned to be financed as the County Council makes employer's contributions to the Pension Fund or pays any pension for which it is directly responsible. The 2011 amendments to the IAS19 Employee Benefits were adopted with effect from 1st April 2013; this re-measured the Pensions investment interest and the Return on the assets of the Pensions Plan in the Comprehensive Income and Expenditure Statement. There is no impact to the balance sheet long term investments, long term liabilities and pension reserve.

Impact on the County Council's Cash Flows:

The investment objectives of the Pension Fund are as follows:

- (a) to ensure that sufficient assets are available to meet liabilities as they fall due;
- (b) to maximise the return at an acceptable level of risk.

The County Council has agreed a strategy with the Pension Fund's Actuary to achieve a funding level of 100% over the next 21 years. Funding levels are monitored on an annual basis. The last valuation took place on 31 March 2013, with rates effective from 1 April 2014. The next triennial valuation is due to be completed on 31 March 2016.

The Pension Fund has changed from a final salary scheme to an average salary scheme with effect from 01.04.2014 in line with the Public Pensions Services Act 2013.

Events after the Balance Sheet date

Events after the Balance sheet date are those events that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue.

Financial Instruments

Financial instruments are contracts that give rise to a financial asset or financial liability and these are represented by loans and receivables, long-term debtors and creditors, and are carried in the Balance Sheet at amortised cost. For loans from the Public Works Loan Board (PWLB) and Money Market Lender Option Borrower Option (LOBO) loans with no planned change of interest this equates to the amount of the originating transaction less any repayments plus accrued interest. LOBO loans with stepped interest are shown at the real cost to the County Council rather than the cash flows under the contract. The Financial Instruments Adjustment Account reflects the results of smoothing the effect of the application of the effective interest rate charged to the accounts on the LOBO loans held by the County Council.

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The fair value of loans has been assessed using current market information in the following ways:

- For PWLB loans the premature repayment rates at 31 March and the debt redemption procedure from the PWLB have been applied.
- For LOBO loans the fair value is calculated as the indicative total cost of breaking the contract. This consists of the principal and accrued interest, plus the premium, which is calculated by valuing the embedded options, using market rates in force as at 31 March.
- The fair value of other temporary borrowing and deposit loans repayable at 7 days is taken as amortised cost since there is no trade in these assets.
- The fair value of PFI Liabilities are calculated by calculating the present value of all future cash flows using composite high-quality corporate bond yields as indicative discount rates, as at the 31st March .
- The fair value of loans receivable have been assessed using benchmark rates at 31 March relating to deposits of comparable security and liquidity.
- The fair value of all Cash Equivalents (available for sale and amortised cost) has been assessed at their carrying amount, since they can be readily converted into cash with no contractual capital loss.
- The fair value of Debtors and Creditors is taken to be the invoiced or billed amount.

The fair value calculations have been provided by the PWLB for their loans and the County Council's Treasury Management advisors (Arlingclose) for LOBO loans, PFI Liabilities and loans and receivables.

Government Grants and Other Contributions

Grants and contributions relating to capital and revenue expenditure are accounted for on an accruals base, and recognised in the Comprehensive Income & Expenditure Statement as income, except where the grant or contribution has condition(s) that have not been satisfied. General grants and contributions (e.g. the Revenue Support Grant) are included in the Comprehensive Income & Expenditure Statement as Non-ring-fenced government grants. Specific grants and contributions are included as income for the relevant service area.

Where a grant or contribution has conditions outstanding at the Balance Sheet date the grant is held either as a receipt in advance, if not fulfilling the conditions would result in the return of the grant, or as an earmarked reserve. Capital grants credited to the Comprehensive Income & Expenditure Statement as capital grants and contributions are reversed out of the General Fund Balance in the Movement in Reserves Statement. Unapplied grant is posted to the Capital Grants Unapplied Reserve; applied grant to the Capital Adjustment Account.

Heritage Assets

All the County Council's heritage assets are held due to their cultural, environmental or historical associations making their preservation for future generations important. The majority of these assets are held at the County Museum and museums in the City of Worcester. The County Council also holds a small number of other assets, including furniture, art works and ceramics.

Where the County Council has information on the cost or value of heritage assets, these assets are recognised on the balance sheet otherwise a disclosure is made and the notes to the financial statements will explain the significance and nature of those assets not reported on the balance sheet.

Heritage Assets are recognised and measured at insurance values. It is not cost effective to undertake individual valuations of the assets; asset records and valuations will be updated as appropriate. Any variations will not have a material impact on the accounts.

Intangible Assets

Intangible assets refer to software licences purchased by the County Council. The assets are capitalised at cost. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the County Council. To date, none of the capitalised software has been internally developed. The useful life assigned to major software is 3 years.

The carrying amount of intangible assets is amortised on a straight line basis and is absorbed as an overhead across all service headings in the Net Expenditure of Services.

Inventories and Long-Term Contracts

Inventories are materials or supplies that will be consumed in producing goods or providing services or will be sold or distributed as part of the County Council's ordinary business. Where the amounts are material and irregular in incidence, the value of unconsumed stores is included in the Balance Sheet at the lower of cost and net realisable value.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year. Work in Progress at the end of the year is stated at the lower of cost or net realisable value. Inventories are valued on either a cost or an average price basis.

Investment Property

Investment property assets are those held to earn rental income or for capital appreciation. They are not used for the delivery of services.

Investment properties are measured initially at cost and subsequently at fair value. Properties are not depreciated but reviewed annually. Gains and losses on revaluation and disposal are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Gains and losses are reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

Rentals received are credited to the Financing and Investment line and result in a gain for the General Fund Balance.

Joint Arrangements

Joint arrangements are activities undertaken by the County Council in conjunction with other parties. These are classified into two categories

A Joint Venture is an arrangement under which two or more parties have contractually agreed to share control, such that decisions about the activities for the arrangement are given unanimous consent from all parties. The County Council has no material arrangements so has no requirement to produce group accounts

A Joint Operation involves joint control of the use of the assets and obligations for the liabilities relating to the arrangement. All parties have joint control with the decisions of the activities. The County Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation

Schools

In line with accounting standards and the Code of Practice on group accounts and consolidation, all maintained schools in the Worcestershire area are now considered to be entities by the County Council. For financial reporting purposes, the revenue costs and associated balances of all maintained schools, such as accruals, provisions and cash balances, are included in the County Council's financial statements. Maintained schools include Community, Voluntary Aided, Voluntary Controlled, Foundation and Trust Schools.

Schools Non-Current Assets are recognised on the Balance Sheet where the County Council directly owns the assets, where the County Council holds the balance of control of the assets or where the school, or the school Governing Body own the assets or have the rights to use the assets transferred to them.

Community schools are owned by the County Council and are recognised on the Balance Sheet.

PFI schools are considered to be controlled by the County Council through the PFI arrangements and are recognised on the Balance Sheet.

The Voluntary Aided, Voluntary Controlled schools and Trust school are owned by the Diocese, Church of England or a separate Trust. There are no formal rights to use the assets through licence arrangements passed to the school or Governing Bodies. As a result the schools are not recognised on the Balance Sheet.

In 2014/15 to bring the Balance Sheet in line with the current accounting policies £97.8m of historic capital expenditure relating to minor capital expenditure on a range of Voluntary Aided and Voluntary Controlled schools were removed from the non-current assets on the 2013/14 restated Balance sheet and written off on the 2013/14 restated Comprehensive Income and Expenditure Statement under other operating income and expenditure.

Landfill Allowances Schemes

The Waste and Emissions Trading Act 2003 provides the legal framework for the Landfill Allowances Trading Scheme (LATS), which it has applied to waste disposal authorities (WDAs) in England since 2005/06. The scheme allocates tradable landfill allowances to each WDA.

LATS are "cap and trade" schemes and a WDA may use its allowances to meet its liability for its actual biodegradable municipal waste landfill usage or sell them to another WDA. Allowances are recognised as current assets in the Balance Sheet at the lower of cost and net realisable value.

Leases

Leases are classified as finance leases where the term of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings these elements are considered separately for classification.

Operating Leases – the County Council as lessee

Rentals payable under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense to the services using the leased asset. Charges are made on a straight line basis over the life of the lease.

Operating Leases – the County Council as lessor

Where the County Council grants an operating lease over a property of an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the service line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight line basis over the life of the lease.

Finance Leases – the County Council as lessor

Where the County Council grants a finance lease over a property or an item of plant or equipment, the asset is written out of the Balance Sheet as a disposal. At the start of the lease, the carrying amount of the asset in the Balance Sheet is written off to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement as part of the gain or loss on the disposal. The County Council currently only has finance leases relating to the transfer of academy schools and as such there are no lease rentals receivables. The written-off value of disposals is not a charge against council tax, as the cost of the non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Non-current assets held for sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction and the asset is being actively marketed, it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Non-current assets transferred to Academies

When a school converts to an Academy the transfer of the asset is for nil consideration. The asset is de-recognised on the Balance sheet and shown as a loss on investments on the Comprehensive Income and Expenditure Statement.

Overheads

In accordance with the current Service Reporting Code of Practice all central administration expenses are apportioned fully to services.

For the purposes of reporting the Service Expenditure Analysis in the Comprehensive Income and Expenditure Statement the costs of the Corporate and Democratic Core (costs relating to the County Council's status) and Non Distributed Costs (the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale) are not charged to services.

Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments are made where there are material adjustments applicable to prior years arising from changes in accounting policies.

Changes in accounting policies are only made when required by proper accounting practices or where the change provides more reliable or relevant information about the County Council's financial position or performance. Changes are applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as applicable.

Private Finance Initiative schemes

PFI contracts are agreements to receive services, where responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. Where the County Council is deemed to control the services in accordance with IFRIC 12 that are provided under its PFI schemes and ownership of the property, plant and equipment will pass to the County Council at the end of the contracts for no additional charge, the County Council carries the property, plant and equipment used under the contracts on the Balance Sheet.

The annual unitary payment is separated into the following component parts, using appropriate estimation techniques where necessary:

- a) Payment for the fair value of services received, and
- b) Payment for the PFI asset, including finance costs.

The original recognition of the property, plant and equipment is balanced by the recognition of a liability for the amounts due to the scheme operator to pay for the assets. Property, plant and equipment recognised on the Balance Sheet are valued and depreciated in the same way as other assets owned by the County Council.

Services received under the contract are recorded under the relevant expenditure headings as operating expenses.

Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment (PPE).

Recognition

Expenditure on the acquisition, creation or enhancement of PPE is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the County Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, if applicable.

The County Council does not capitalise borrowing costs incurred whilst assets are under construction. Revaluation of all the County Council's property, plant and equipment is undertaken using a five-year rolling programme. Additionally, all assets are reviewed for impairment loss on an annual basis. Impairment loss is written to the Revaluation Reserve against the accumulated revaluation gain for the asset, or to the service that uses the asset in the Comprehensive Income & Expenditure where there is no accumulated gain.

Surpluses on revaluations are credited to the Revaluation Reserve Account when they are identified. Valuations are carried out internally by the County Council's Valuer in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

All property, plant and equipment with a finite useful life (determined at the time of purchase or revaluation) are reduced in value (depreciated) according to the following:

- a) assets which are bought from a third party are depreciated for a full year in the year of purchase. All other assets created as a result of capital expenditure during the year are depreciated for a full year where appropriate.
- b) depreciation is calculated using the straight-line method meaning that an assets value falls equally each year throughout its life.
- c) Land and Buildings (10-99 years). Each building has an individual asset life over which depreciation is provided. Land is not depreciated.
- d) Vehicles, Plant and Machinery (3-10 years). Depreciation is provided over the useful life of the assets.
- e) Infrastructure. Infrastructure assets are depreciated from their historic cost over 20 years.
- f) Community Assets. The County Council's community assets are comprised totally of land (e.g. parks, picnic places) and as such are not depreciated.

- g) Surplus Assets, held for disposal (10-99 years). These assets are depreciated over their useful life where appropriate.
- h) Assets Under Construction. Assets under construction, being capital works in progress where the uncompleted asset does not have a material benefit to the County Council, are not depreciated.

Where an item of Property, Plant and Equipment assets has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Capital Financing and Asset Restatement Accounts

There are two capital accounts relating to capital financing which have been included in the Balance Sheet. These accounts do not represent cash funding available to fund revenue expenditure.

- a) Revaluation Reserve Account, which replaced the Fixed Asset Restatement Account with effect from 1 April 2007 and shows revaluation gains recognised since that date.

The Revaluation Reserve contains the gains made by the County Council arising from increases in the value of its property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired
- used in the provision of services, or
- disposed of.

The Reserve contains only revaluation gains accumulated since 1 April 2007 when the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

- b) Capital Adjustment Account, which represents the difference between the costs of property, plant and equipment consumed and the capital financing set aside to pay for them.

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the County Council or amount received as grants and contributions and used as finance for the costs of acquisition, construction and enhancement and contains the accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the County Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the County Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the County Council that has yet to be financed.

Minimum Revenue Provision (MRP)

MRP is calculated in accordance with the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 according to the following:

- Debt is supported by Revenue Support Grant for all capital expenditure incurred before 1 April 2008 and capital expenditure on or after 1 April 2008 that forms part of the County Council's Supported Capital Expenditure for Revenue Support Grant purposes;
- Capital expenditure incurred on or after 1 April 2008 will be financed by new borrowing under the Prudential system and MRP is calculated by amortising expenditure over an estimated useful life for relevant assets.

Provisions

Provisions are made where an event has taken place that gives the County Council a legal or constructive obligation that requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the County Council becomes aware of the obligation, and measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation. When payments are made they are charged to the provision carried in the Balance Sheet.

Reserves

In addition to its general revenue balances, the County Council has maintained specific 'earmarked' reserves for future expenditure and to protect against unexpected events. Reserves are created from the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service line against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage accounting processes, e.g. for non-current assets or retirement and employee benefits, and do not represent usable resources for the County Council.

Related Parties

Related parties are bodies or individuals that have the potential to control or influence the County Council or to be controlled or influenced by the County Council.

Revenue Expenditure Funded from Capital under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement. Where the County Council has determined to meet the cost of this expenditure from existing capital resources or from borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses the amounts charged so that there is no impact on the level of council tax.

Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

41. Critical Judgements in applying Accounting Policies

In applying the accounting policies set out in note 40, the County Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made are:

Schools

- In line with accounting standards and the Code of Practice on group accounts and consolidation, all maintained schools in the Worcestershire area are now considered to be entities controlled by the County Council. Rather than produce group accounts the revenue costs and associated balances of all maintained schools, such as accruals, provisions and cash balances, are included in the County Council's financial statements. Consolidation of accounts held by schools such as school funds and devolved capital accounts were judged to be immaterial and are not recognised in the Balance sheet.

The land and buildings are recognised in accordance with the asset recognition tests as they apply to the different type of arrangements. Where the County Council owns the land and buildings or the rights to its use has been transferred from another entity the County Council recognises the asset on the Balance Sheet. Where the land and building is owned by another entity and there is a 'mere' licence to use not a transfer of rights then the County Council does not recognise the asset on the Balance sheet.

The County Council has completed a review on a school by school basis on all schools controlled by the County Council. Judgments have been made to determine the arrangements and accounting treatment

- There are 180 local authority maintained and 61 academy schools and 1 free school in the County. The accounting treatment of these schools' non-current assets is as follows
 - Community schools – land and buildings shown in full on the balance sheet;
 - Voluntary Controlled schools - land and buildings comprising the main body of the school are not shown on the balance sheet. Assets provided by the County Council as part of its responsibility for running the school are shown on the balance sheet (for example mobile classrooms)
 - Voluntary Aided schools – land and buildings are not shown on the balance sheet;
 - Foundation schools – land and buildings are not shown on the balance sheet;
 - Academy schools (previously community schools) – non –current assets are leased to the school on a 125 year lease, therefore land and buildings are not shown on the balance sheet;
 - Academy schools (previously foundation, voluntary aided or voluntary controlled schools) – land and buildings are not shown on the balance sheet.
- In 2014/15 to bring the Balance Sheet in line with the current accounting standards £97m of historic capital expenditure relating to minor capital expenditure on a range of Voluntary Aided and Voluntary Controlled schools were removed from the non-current assets on the Balance sheet. This was adjusted in the restated 2013/14 Balance sheet.
- Local authority schools which are due to convert to academy status post balance sheet are treated as non-adjusting post balance sheet events. Details are given in note 43.
- The County Council has three PFI contracts providing waste services, schools and library services. These contracts have been assessed as meeting the requirements of IFRIC 12 and the non-current assets relating to the service provision have been brought on to the County Council's balance sheet with a corresponding finance liability.
- The County Council has classified £5.5 million of PPE as Assets Held for Sale in accordance with accounting practice. These assets are judged to be actively marketed and as such are not depreciated.
- The County Council owns shares valued at £4.4 million in Malvern Hills Science Park. There are preference shares and 9% of the voting shares issued by the Company. This holding has been judged not to give the County Council a controlling influence.
- Heritage assets have been recognised in the accounts at insurance or historic cost values. Any variations to individual valuations will not have a material impact on the accounts.

42. Assumptions made about the Future and other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures based on assumptions made by the County Council. Estimates are made taking into account historical experience, current trends and other relevant factors. There is, however, a risk that actual results could be materially different from the assumptions and estimates.

The items in the County Council's Balance Sheet at 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Provisions – employee restructuring	The County Council has made a provision of £1.9 million to reflect the possible need to make redundancies as a result of service restructuring. The provision is based on an estimate of the number of staff identified in detailed business cases less current re-deployment levels at an average salary.	At an average exit package of £11,360, an increase of 5 members of staff being made redundant would result in an additional £57k in the provision.
Retirement benefits	<p>Assumptions are applied by the Actuary in order to calculate the pension expense and liability. The actual amount to be recognised in the balance sheet at year end is unlikely to equal the projected amount mainly due to;</p> <ul style="list-style-type: none"> • Actual asset returns are likely to be different from those assumed; • Actuarial assumptions at the end of the year could be different from those at the start of the year; • Other actuarial experience over the year could be different from that assumed. 	<p>The effects on the pensions liability of changes in individual assumptions can be measured and the impact on the balance sheet deficit position are:</p> <ul style="list-style-type: none"> • +0.1% p.a. discount rate as at 31.03.15 £19.8 million reduction • +0.1% p.a. salary inflation £20 million increase • 1 year added to members' life expectancy £21.4 million increase • +0.1% p.a. pay growth £4.5 million
Non-current assets - depreciation	Non-current assets held on the Balance Sheet have an estimated useful life. This is based on a professional judgement by the Valuer.	Depreciation is applied on a straight line basis over the useful life of the asset. Variations to the useful life will alter the amount of depreciation charged to the Comprehensive Income and Expenditure Statement. The impact of this is minimised by a review of the useful life of an asset being undertaken at each valuation.
Non-current assets - valuation	Non-current assets are valued by the County Council's Valuer on a five year rolling programme, unless events indicate that a more frequent interval is required.	The Valuer uses his professional knowledge of the market and other factors to arrive at an asset value. Variations to this value would result in increased or decreased depreciation and, potentially, impairment losses being charged to the Comprehensive Income and Expenditure Statement.

43. Events after the Balance Sheet date

The Statement of Accounts was authorised for issue by the Chief Financial Officer on 26 June 2015. Events taking place after this date are not reflected in the financial statements or notes. The financial statements and notes have not been adjusted for the following events which took place after 31 March 2015 as they provide information that is relevant to an understanding of the County Council's position but do not relate to conditions at that date:

Balance sheet adjustment

£m

(this will be updated when the opinion is received from the external auditors)

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WORCESTERSHIRE
COUNTY COUNCIL**

To be inserted later

Date:

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WORCESTERSHIRE
COUNTY COUNCIL**

To be inserted later

Worcestershire County Council Pension Fund

Statement of Accounts 2014/15

About the Accounts

This Statement of Accounts presents the overall financial position of the Pension Fund for the year ended 31 March 2015. The Accounts are produced in the format stipulated by the Chartered Institute of Public Finance and Accountancy (CIPFA) in accordance with best accounting practice.

1. Explanatory Foreword and a Review of the Year 2014/15

Contains a review of the year and other general information about the accounts.

2. The Worcestershire County Council Pension Fund Account

Details the money received and spent within the Pension Fund during 2014/15.

3. Net Assets Statement

Statement showing the Pension Fund's financial position at 31 March 2015.

4. Notes to the Pension Fund Accounts

Notes providing additional information for the Fund Account and Net Assets Statement.

5. Statement of Accounting Policies

Accounting policies and procedures adopted by the County Council Pension Fund

1. Explanatory Foreword and a Review of the Year 2014/15

Foreword by the Chief Financial Officer

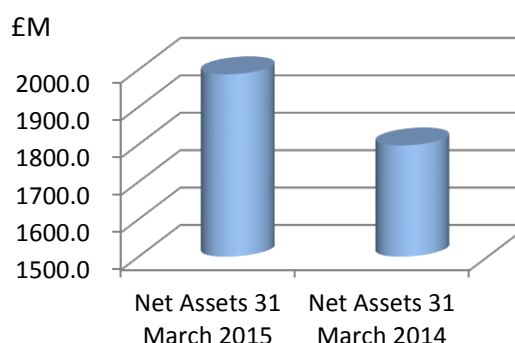
Welcome to the Worcestershire County Council Pension Fund 2014/15 Statement of Accounts. Worcestershire County Council administers the Local Government Pension Scheme (LGPS), which provides for the occupational pensions of employees, other than teachers, police officers, and fire fighters of the local authorities within the Herefordshire and Worcestershire area. Worcestershire County Council also operates the scheme for members of other organisations which have made admission agreements with the fund and designated bodies who have passed resolutions with Worcestershire County Council.

Aims and purpose of the Scheme	
The aims of the Scheme are to:	
✓	enable employer contribution rates to be kept as nearly constant as possible and at reasonable cost to the taxpayers, scheduled, designated, community and admitted bodies
✓	manage employers' liabilities effectively
✓	ensure that sufficient resources are available to meet all liabilities as they fall due, and
✓	maximise the returns from investments within reasonable risk parameters.
The purpose of the Scheme is to:	
✓	receive monies in respect of contributions, transfer values and investment income, and
✓	pay out monies in respect of scheme benefits, transfer values, costs, charges and expenses.

Key headlines

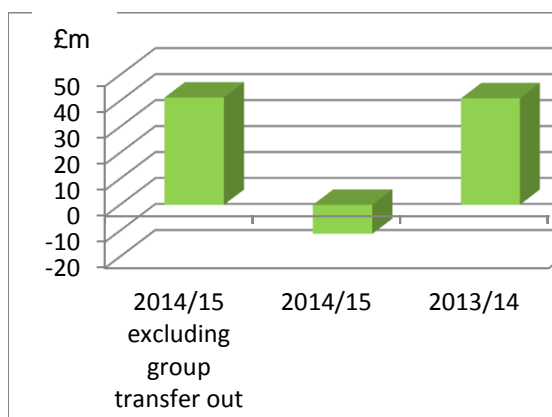
- The value of the Fund's net assets increased by £190.2million from £1,797.1 million at 31 March 2014 to £1,987.3 million at 31 March 2015:
- Recurring income from contributions increased by 8.9%, as a result of an increased number of contributors to the fund, partly due to the impact of Auto Enrolment, combined with an uplift in contribution rates following the 2013 actuarial valuation. Net investment earnings decreased by 3.1%, whilst ongoing expenditure increased by 2.9%.
- Contributions from staff and employers plus interest and dividends received exceeded benefits paid in 2014/15 by £47.6 million. It is expected that an operating surplus will exist for the foreseeable future.

Fund's Net Asset Value



Surplus / Deficit on pension fund account

- During the year a deficit resulted on the Pension Fund account totalling £ (11.2)million for 2014/15, a decrease of 52.1 million from the surplus of £41.0 million for 2013/14. A group transfer out of the Probation Service to the Greater Manchester Pension Fund of £52.3million took place in February 2015 due to the national restructuring of the National Offender Management Service, without which a surplus of £41.3million would have resulted on the pension fund account (£0.2million increase compared to 2013/14).



- An analysis of changes within the fund's membership profile is displayed below:

	31 March 2014	31 March 2015	Change	Change %
Contributors to the fund*	20,739	21,569	830	+4.0
Pensions paid	15,308	15,768	460	+3.0
Deferred members**	16,829	17,938	1,109	+6.6
	52,876	55,275		

* The increase in contributors to the fund is in part a result of Automatic Enrolment, which came into effect during 2014/15.

** The increase in deferred members is in part due to employers reducing staff headcount and the ex-employees choosing to retain their accrued benefits in the scheme as opposed to transferring out.

Governance

The Public Service Pensions Bill was introduced in the House of Commons on 13 September 2012, which set out governance requirements for the new look Local Government Pension Scheme (LGPS) to be introduced in 2014/15. LGPS regulations on the new governance requirements were published in the first quarter of 2015 and Council approved recommendations in February 2015 to introduce a new Pension Committee from 1st June 2015 and to implement a Pension Board from 1st April 2015. The new Pension Committee will replace the current Shadow Pension Committee, which has been in operation through out 2014/15.

The Pension Fund's Governance Policy Statement is published on the Council's website. The Policy Statement ensures that the Fund's governance arrangements comply with the LGPS Regulations and are aligned to prescribed best practice guidance

The new governance arrangements include the establishment of a Pension Investment Advisory Panel and Pension Administration Forum to support the Pension Committee in its role as Scheme Manager.

Management of the fund's assets

The management of the fund's assets is operated through five specialist external managers with six mandates in total. The Shadow Pension Committee is advised in relation to asset allocation decisions and the monitoring of external managers' performance by the Shadow Pension Investment Advisory Committee, which includes an independent financial adviser.

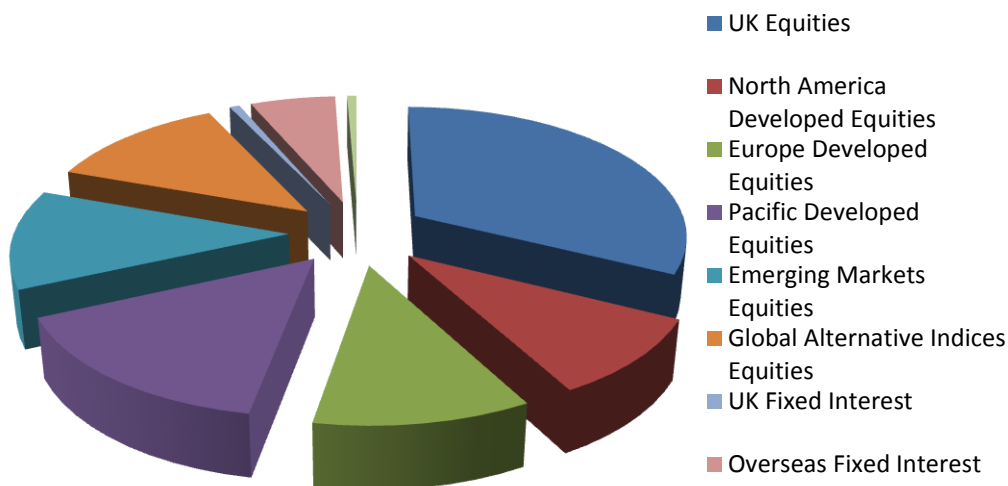
The fund's asset allocation is kept under regular review and the current long term investment allocation includes investments in a wide variety of UK and overseas companies, Government Securities and Corporate Bonds. As a result of an asset allocation review that took place in November 2013, the following Shadow Pension Committee endorsed recommendations were progressed during 2014/15:

An allocation of up to 10% of the Fund be made to 'Alternatives including property' should opportunities arise in Property or other Alternatives Investment Recommendations over the Fund's inter-valuation period. A move will only be made where a benefit can be demonstrated where returns can be maintained whilst adding diversification to reduce volatility.

Introduce a rolling programme of mandate reviews over the inter-valuation period.

As at 31st March 2015 the Shadow Pension Committee, following a competitive tendering process, endorsed the investment of 10% of the fund's assets into two pooled property funds; Invesco Real Estate – European Fund and Venn Commercial Real Estate Fund, and two pooled Infrastructure funds; UK Green Investment Bank Offshore Wind Fund and Hermes GPE Infrastructure Fund (Core).

The following chart details the distribution of the fund's assets as at 31 March 2015:



Management of the fund's liabilities

The funding strategy is kept under regular review by the Shadow Pension Committee and the fund's actuary assesses at three yearly intervals the balance of the fund's assets against its liabilities. An actuarial valuation of the Worcestershire County Council Pension Fund was carried out as at 31 March 2013 to determine the contribution rates with effect from 1 April 2014 to 31 March 2017. The key outcomes of the valuation are detailed below:

- The Fund's assets of £1,721 million represented 69% of the Fund's past service liabilities of £2,488 million (the "Funding Target") at the valuation date. This compares to a similar 69% funded position as a result of the 2010 valuation.
- A common rate of contribution of 14.1% of pensionable pay per annum is required from employers. The common rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.
- The deficit of £767 million would be eliminated by a contribution addition of £41m per annum increasing at 4.1% per annum (equivalent to 12% of projected Pensionable Pay at the valuation date) for 21 years.

The next actuarial valuation will be undertaken in 2016/17, with any changes to the employers' contribution rates being implemented with effect from 1 April 2017.

To meet the requirements of the Regulations, Worcestershire County Council as administering authority of the fund has set a clear long-term funding objective; to achieve and then maintain assets equal to 100% of projected accrued liabilities, assessed on an ongoing basis.

Sean Pearce
CPFA
Chief Financial Officer

2. Worcestershire County Council Pension Fund Account

For the year ended 31 March 2015

2013/14		Notes	2014/15
£m			£m
	Dealings with members, employers and others directly involved in the fund		
92.3	Contributions	5	99.6
7.4	Transfers in from other pension funds	6	4.1
99.7			103.7
(88.4)	Benefits	7	(92.8)
(6.5)	Payments to and on account of leavers	8	(57.3)
(94.9)			(150.1)
4.8	Net additions / (Withdrawals) from dealings with members		(46.4)
(1.2)	Administrative expenses	9	(1.1)
(4.8)	Management expenses	10	(4.4)
	Returns on investments		
44.8	Investment income	11	43.4
(2.6)	Taxes on income	12	(2.6)
35.3	Profit and losses on disposal of investments and changes in the market value of investments	13a	201.3
77.5	Net return on investments		242.1
76.3	Net increase / (decrease) in the net assets available for benefits during the year		190.2
1,720.8	Opening fund net assets available for benefits		1,797.1
1,797.1	Closing fund net assets available for benefits		1,987.3

3. Net Assets Statement for the year ended 31 March 2015

2013/14 £m		Notes	2014/15 £m
1,764.2	Investment Assets	13	1,960.6
26.2	Cash deposits	13	15.6
1,790.4			1,976.2
(8.5)	Investment Liabilities	13	(6.2)
16.8	Current Assets	16	19.2
3.4	Non Current Assets	17	2.3
(5.0)	Current Liabilities	18	(4.2)
1,797.1	Net Assets of the fund available to fund benefits at the period end		1,987.3

The Financial Statements do not take into account liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits (determined in accordance with IAS 19) are disclosed in the Actuarial Statement included in the Pension Fund Annual Report and note 2 to the accounts.

4. Notes to the Pension Fund Accounts

1. Pension Fund Accounts

The Pension Fund is administered by the County Council on behalf of their own employees, those of the Herefordshire Council, the District Councils, Private Sector admitted bodies with staff transferred under TUPE from the Administering Authority and other bodies in the county of Worcestershire, other than teachers, police officers, and fire fighters.

In matters relating to the management of the Fund's assets the Shadow Pension Committee is advised in relation to asset allocation decisions and the monitoring of external managers' performance by the Shadow Pension Investment Advisory Committee, which includes an independent financial adviser and the scheme manager. The Shadow Pension Committee consists of County Councillors and an Employer and Employee Representative. Formal monitoring takes place on a quarterly basis through meetings with investment managers to discuss their performance. Asset allocation is reviewed at least annually and pension administration issues are to be discussed quarterly at the Pension Administration Advisory Forum with any resulting recommendations considered by the Shadow Pension Committee. LGPS regulations on the new governance requirements were published in the first quarter of 2015 and Council approved recommendations in February 2015 to introduce a new Pension Committee from 1st June 2015 and to implement a new Pension Board from 1st April 2015.

The day to day management of the Fund's investments is divided between five external investment managers operating in accordance with mandates set out in the Statement of Investment Principles.

A list of scheduled and admitted bodies contributing to the Fund is given in note 24 to these accounts.

The following table provides detail of fund membership:

	31 March	31 March
	2014	2015
Contributors to the fund	20,739	21,569
Pensions paid	15,308	15,768
Deferred members	16,829	17,938
	52,876	55,275

A separate detailed Annual Report and Accounts, including the Statement of Investment Principles, is available from the Chief Financial Officer, Worcestershire County Council, County Hall, Spetchley Road, Worcester, WR5 2NP. The report is also available on the Council's website:

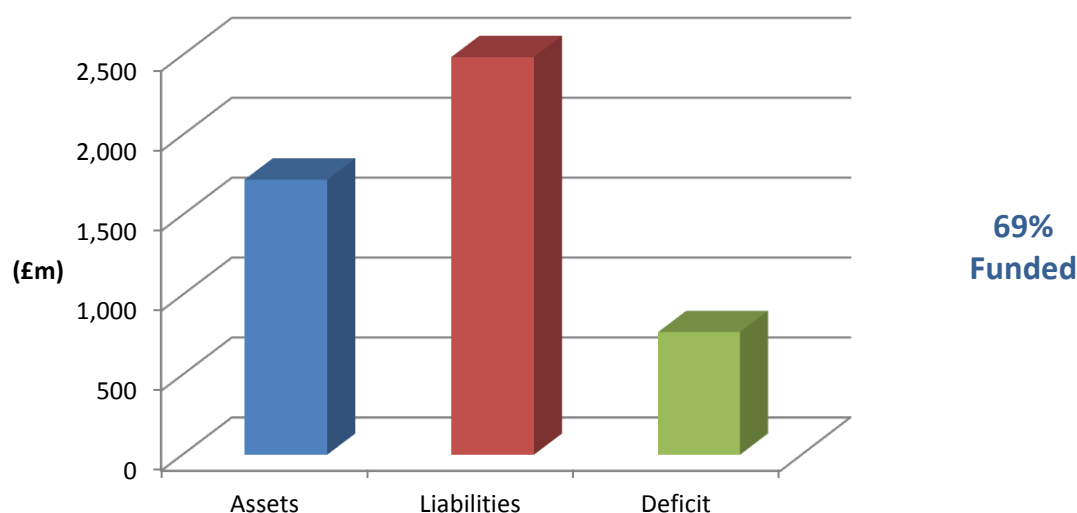
www.worcestershire.gov.uk/downloads/download/697/pension_fund_annual_report

2. Actuarial Valuation and Actuarial Present Value of Promised Retirement Benefits

This statement has been provided to meet the requirements under Regulation 57(1)(d) of The Local Government Pension Scheme Regulations 2013.

An actuarial valuation of the Worcestershire County Council Pension Fund was carried out as at 31 March 2013 to determine the contribution rates with effect from 1 April 2014 to 31 March 2017.

On the basis of the assumptions adopted, the Fund's assets of £1,721 million (£1,366 million 31/03/2010) represented 69% (69% 2010) of the Fund's past service liabilities of £2,488 million (£1,979 million 31/03/2010) (the "Funding Target") at the valuation date.



The valuation also showed that a common rate of contribution of 14.1% of pensionable pay per annum was required from employers. The common rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

Adopting the same method and assumptions as used for calculating the funding target, the deficit of £767 million would be eliminated by a contribution addition of £41m per annum increasing at 4.1% per annum (equivalent to 12% of projected Pensionable Pay at the valuation date) for 21 years.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated March 2014.

In practice, each individual employer's position is assessed separately and the contributions required are set out in the report. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Funding Target and the common contribution rate were as follows:

	For past service liabilities (Funding Target)	For future service liabilities (Common Contribution Rate)
Rate of return on investments (discount rate)*	4.7% per annum	5.6% per annum
Rate of pay increases (long term)**	4.1% per annum	4.1% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.6% per annum	2.6% per annum

* The Fund's return for 2014/15 was 13.4%, which was substantially higher than the Actuary's long term expected rate of return on investments.

** Allowance was also made for short-term public sector pay restraint over a 5 year period.

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2016. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2017.

Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

In order to assess the value of the benefits on this basis, we have used the same actuarial assumptions as those used for funding purposes, other than the discount rate where we have used a rate of 4.2% p.a. rather than the rate as outlined above. We have also used valuation methodology in connection with ill-health and death benefits which is consistent with IAS 19. On this basis, the value of the Fund's promised retirement benefits as at 31 March 2013 was £2,771 million. This value is £223 million higher than the Fund's promised retirement benefits calculated under IAS19, and is only provided for financial reporting purposes.

3. Pension Fund Investments 2014/15

The proportion of the market value of investment assets held by the external fund managers at the year-end was:

External Fund Manager	31 March 2014		31 March 2015	
	£m	%	£m	%
JP Morgan Asset Management (Bonds)	119.5	7	129.8	7
JP Morgan Asset Management (Emerging Markets)	103.8	6	119.0	6
UBS Global Asset Management (Passive)	1,054.0	59	1,104.6	56
Capital International Ltd	135.5	8	174.3	9
Nomura Asset Management UK Ltd	245.0	14	296.3	15
Schroder Investment Management	109.8	6	131.3	7
WCC Managed Account	7.6	0	7.8	0
	1,775.2	100	1,963.1	100

The following investments represent more than 5% of the net assets of the scheme:

Security	Market value	% of total	Market value	% of total
	31 March 2014	fund	31 March 2015	fund
	£m		£m	
UBS Global Asset Management Life UK Equity Tracker	158.4	8.8	173.1	8.7
UBS Global Asset Management Life Europe ex-UK Equity Tracker	0.0	0.0	128.4	6.5

The Fund operates the practice of lending stock to a third party for a financial consideration.

Securities released to a third party under the stock lending agreement with the Fund's custodian, ABN AMRO Mellon Global Securities B.V., are included in the net assets statement to reflect the Fund's continuing economic interest of a proprietary nature in those securities.

The total amount of stock lent at the year-end was £26.2million (2014 £21.7million). The total collateral, which consisted of acceptable corporate and sovereign debt as well as equities was £27.9million (2014 £23.5million) representing 107% of stock lent.

Income received from stock lending activities was £0.1million for the year ending 31 March 2015 (2014 £0.1million). This is included within the 'Investment Income' figure detailed on the Pension Fund Account.

4. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Chief Financial Officer on xx xx 2015. Events taking place after this date are not reflected in the financial statements or notes. The financial statements and notes have not been adjusted for the following events which took place after 31 March 2015 as they provide information that is relevant to an understanding of the Fund's position but do not relate to conditions at that date:

Following the decision taken at the Fund's strategic asset allocation review held in November 2013 to invest up to 10% of the Fund's assets into pooled Property and Infrastructure Funds, on 16th April 2015 £25.1m was transitioned from the UBS Passive UK pooled equity fund to UK Green Investment Bank Offshore Wind Fund. On 11th May 2015 £29.9m was transitioned from the UBS Passive UK pooled equity fund to Hermes GPE Infrastructure Fund (Core).

5. Contributions Receivable

By category:

	2013/14	2014/15
	£m	£m
Employers		
Normal contributions	39.2	42.5
Deficit recovery contributions	28.8	33.1
Augmentation contributions	3.5	2.9
Employees		
Normal contributions	20.4	20.7
Additional contributions	0.4	0.4
	92.3	99.6

By authority:

	2013/14	2014/15
	£m	£m
Worcestershire County Council	31.0	31.0
Scheduled bodies*	51.1	56.3
Community admission bodies	8.2	7.8
Transferee admission bodies	1.3	3.9
Designated bodies	0.7	0.6
	92.3	99.6

* The increase in Scheduled Bodies' contributions is mainly a result of the maintained schools converting to Academies during 2014/15. Maintained schools are included within Worcestershire County Council's contributions, whilst Academies are Scheduled bodies in the Fund.

6. Transfers in and from other Pension Funds

	2013/14	2014/15
	£m	£m
Individual transfers	7.4	4.1
	7.4	4.1

7. Benefits Payable

By category:

	2013/14	2014/15
	£m	£m
Pensions	69.4	72.1
Commutations and lump sum		
Retirement benefits	17.5	18.9
Lump sum death benefits	1.5	1.8
	88.4	92.8

By authority:

	2013/14	2014/15
	£m	£m
Worcestershire County Council	34.3	35.9
Scheduled bodies	46.5	48.0
Admitted bodies	1.8	1.7
Community admission bodies	4.0	5.3
Transferee admission bodies	1.4	1.5
Designated bodies	0.4	0.4
	88.4	92.8

8. Payments to and on Account of Leavers

	2013/14	2014/15
	£m	£m
Individual transfers	6.5	5.0
Group transfers	0.0	52.3
	6.5	57.3

A group transfer out of the Probation Service to the Greater Manchester Pension Fund for £52.3million occurred in February 2015.

9. Administrative Expenses

	2013/14	2014/15
	£m	£m
Employee expenses	0.4	0.4
Support services	0.3	0.3
Actuarial services	0.2	0.1
Other expenses	0.3	0.3
	1.2	1.1

The audit fee for work completed by the Fund's external auditors for the year ended 31st March 2015 was £26,156 (£26,156 for the year ended 31st March 2014)

10. Management Expenses

	2013/14	2014/15
	£m	£m
Oversight and Governance	0.1	0.1
Investment Management Expenses		
Administration, management and custody fees	4.5	4.0
Other expenses	0.2	0.3
	4.8	4.4

The £4.4m management expenses incurred in 2014/15 represent 0.22% or 22 bps of the market value of the fund's assets as at 31st March 2015 (0.27% or 27bps 31st March 2014).

11. Investment Income

	2013/14	2014/15
	£m	£m
Fixed interest securities	4.1	4.2
Equity dividends	40.3	38.6
Interest on cash deposits	0.3	0.5
Securities lending	0.1	0.1
	44.8	43.4

12. Taxes on Income

	2013/14	2014/15
	£m	£m
Withholding tax - equities	(2.6)	(2.6)
	(2.6)	(2.6)

13. Investments

	Market value 31 March 2014 £m	Market value 31 March 2015 £m
Investment assets		
Fixed interest securities	116.9	127.8
Equities	1091.8	1,199.5
Pooled investment vehicles	540.2	623.3
Derivatives - futures	0.1	0.1
Derivatives - forward FX	0.2	0.6
Cash	26.2	15.6
Other investment balances	6.6	6.9
Amounts receivable for sales	8.4	2.4
Total investment assets	1,790.4	1,976.2
Investment liabilities		
Derivatives - futures	(0.1)	(0.2)
Derivatives - forward FX	(0.3)	(3.2)
Amounts payable for purchases	(8.1)	(2.8)
Total investment liabilities	(8.5)	(6.2)
Net investment assets	1,781.9	1,970.0

13 a: Reconciliation of movements in investments and derivatives

	Market value 31 March 2014 £m	Purchases during the year and derivative payments £m	Sales during the year and derivative receipts £m	Change in market value during the year £m	Market value 31 March 2015 £m
Fixed interest securities	116.9	90.2	(88.1)	8.8	127.8
Equities	1,091.8	307.5	(318.3)	118.5	1,199.5
Pooled investment vehicles	540.2	9.0	(1.4)	75.5	623.3
	1,748.9	406.7	(407.8)	202.8	1,950.6
Derivative contracts:					
Futures	(0.0)	3.0	(3.0)	(0.1)	(0.1)
Forward currency contracts	(0.1)	13.3	(12.6)	(3.2)	(2.6)
	1,748.8	423.0	(423.4)	199.5	1,947.9
Other investment balances:					
Cash deposits	26.2			1.8	15.6
Outstanding dividend entitlements and recoverable withholding tax	6.6				6.9
Amount receivable for sales of investments	8.4				2.4
Amounts payable for purchases of investments	(8.1)				(2.8)
Net investment assets	1,781.9			201.3	1,970.0

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

	Market value 31 March 2013	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31 March 2014
	£m	£m	£m	£m	£m
Fixed interest securities	108.8	90.4	(74.0)	(8.3)	116.9
Equities	1,093.2	551.4	(538.3)	(14.5)	1,091.8
Pooled investment vehicles	455.3	250.9	(217.2)	51.2	540.2
	1,657.3	892.7	(829.5)	28.4	1,748.9
Derivative contracts:					
Futures	(0.3)	1.7	(2.3)	0.9	0.0
Forward currency contracts	(2.0)	5.3	(10.4)	7.0	(0.1)
	1,655.0	899.7	(842.2)	36.3	1,748.8
Other investment balances:					
Cash deposits	34.6			(1.0)	26.2
Outstanding dividend entitlements and recoverable withholding tax	7.0				6.6
Amount receivable for sales of investments	24.1				8.4
Amounts payable for purchases of investments	(16.1)				(8.1)
Net investment assets	1,704.6			35.3	1,781.9

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions, and other fees. Transaction costs incurred during the year amounted to £1.1 million, (2013/14 £1.5 million). These transaction costs represent 0.06% or 6bps of the Market Value of the Fund's assets as at 31st March 2015 (8bps at 31st March 2014). In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the scheme.

Note 13 b: Analysis of Investments (excluding derivative contracts, cash and other investment balances)

	31 March 2014 £m	31 March 2015 £m
Fixed interest securities		
UK corporate quoted	14.2	13.4
Overseas public sector quoted	0.4	0.2
Overseas corporate quoted	102.3	114.2
	116.9	127.8
Equities		
UK quoted	456.4	433.3
Overseas quoted	635.4	766.2
	1,091.8	1,199.5
Pooled Investment Vehicles		
Other UK managed funds – UK equities	183.9	201.4
– Overseas equities	146.7	163.0
– Global equities	199.2	242.7
Other overseas managed funds – Overseas equities	10.4	16.2
	540.2	623.3
	1,748.9	1,950.6

Analysis of derivatives

Objectives and policies for holding derivatives

Most of the holding in derivatives is to hedge exposures to reduce risk in the fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement between the fund and the various investment managers.

a) Futures

The fund's investment managers hold cash balances in order to ensure efficient and timely trading when opportunities arise. The fund's management did not want this cash to be 'out of the market' and so enabled a number of investment managers to buy and sell futures contracts which had an underlying economic value broadly equivalent to the cash held. The economic exposure represents the notional value of the stock purchased under futures contracts and is therefore subject to market movements. The portfolio cannot be geared to and must have the liquidity needed to cover open positions. Derivative receipts and payments represent the realised gains and losses on futures contracts.

b) Forward foreign currency

In order to maintain appropriate diversification and to take advantage of overseas investment returns, the Fund's bond mandate targets outperformance against a global benchmark index. To reduce volatility associated with the fluctuating currency rates, the fund has enabled the bond mandate investment manager to purchase and sell forward foreign currencies as a hedge.

Futures

Outstanding exchange traded futures contracts are as follows:

Assets

Type of future	Expiration	Economic Exposure Value	Market Value	Economic Exposure Value	Market Value
		£m	31 March 2014 £m	£m	31 March 2015 £m
UK gilt exchange traded	Less than one year	(4.1)	0.0	0.0	0.0
UK FTSE exchange traded	Less than one year	0.0	0.0	8.1	0.0
Overseas exchanged traded	Less than one year	(2.9)	0.1	(2.9)	0.1
Total assets			0.1		0.1

Liabilities

Type of future	Expiration	Economic Exposure Value	Market Value	Economic Exposure Value	Market Value
		£m	31 March 2014 £m	£m	31 March 2015 £m
UK gilt exchange traded	Less than one year	(0.8)	0.0	(1.2)	0.0
UK FTSE exchange traded	Less than one year	15.1	0.0	0.0	0.0
Overseas exchanged traded	Less than one year	8.4	(0.1)	(26.5)	(0.2)
Total liabilities			(0.1)		(0.2)
Net futures			0.0		(0.1)

Open forward currency Contracts as at 31 March 2015

Settlement	Currency Bought	Local Currency Value m	Currency Sold	Local Currency Value m	Asset Value £m	Liability Value £m	
One to six months	EUR	1.3	GBP	0.9	0.0		
One to six months	GBP	0.1	AUD	0.3	0.0		
One to six months	GBP	73.5	EUR	100.8	0.5		
One to six months	GBP	2.3	USD	3.4	0.0		
One to six months	USD	0.0	COP	35.7	0.0		
One to six months	USD	4.3	GBP	2.8	0.0		
One to six months	USD	0.2	INR	12.2	0.0		
One to six months	USD	0.2	ZAR	2.3	0.0		
One to six months	EUR	0.3	GBP	0.2		0.0	
One to six months	GBP	0.1	AUD	0.3		0.0	
One to six months	GBP	0.6	EUR	0.8		0.0	
One to six months	GBP	157.6	USD	238.6		(3.1)	
One to six months	ZAR	2.3	USD	0.2		0.0	
					0.5	(3.1)	
Net forward currency contracts at 31 March 2015						(2.6)	
Prior year comparative:							
Open forward currency contracts at 31 March 2014						0.2	(0.3)
Net forward currency contracts at 31 March 2014						(0.1)	

Analysis of Cash

	2013/14 £m	2014/15 £m
Cash		
Cash deposits	4.7	7.7
Cash instruments	21.5	7.9
	26.2	15.6

Note 14: Financial Instruments

Note 14 a: Classification of financial instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category and net assets statement heading. No financial assets were reclassified during the accounting period.

Designated as fair value through profit and loss 31 March 2014 £m	Loans and receivables 31 March 2014 £m	Financial liabilities at amortised cost 31 March 2014 £m	Designated as fair value through profit and loss 31 March 2015 £m	Loans and receivables 31 March 2015 £m	Financial liabilities at amortised cost 31 March 2015 £m
Financial assets					
116.9			127.8		
1,091.8			1,199.5		
540.2			623.3		
0.1			0.1		
0.2			0.6		
	28.9			18.1	
15.0			9.3		
	14.1			16.7	
	3.4			2.3	
1,764.2	46.4	0.0	1,960.6	37.1	0.0
Financial liabilities					
(0.1)			(0.2)		
(0.3)			(3.2)		
(8.1)			(2.8)		
		(5.0)			(4.2)
(8.5)	0.0	(5.0)	(6.2)	0.0	(4.2)
1,755.7	46.4	(5.0)	1,954.4	37.1	(4.2)

Note 14 b: Net gains and losses on financial instruments

31 March 2014 £m		31 March 2015 £m
Financial assets		
29.3	Fair value through profit and loss	202.8
(1.0)	Loans and receivables	1.8
Financial liabilities		
7.0	Fair value through profit and loss	(3.3)
35.3	Total	201.3

Fair value through profit and loss is the combination of realised and unrealised profit and loss. The significant year-on-year increase is a result of strong returns from global equity markets during 2014/15.

Note 14 c: Fair value of financial instruments and liabilities

Carrying Value 31 March 2014 £m	Fair Value 31 March 2014 £m		Carrying Value 31 March 2015 £m	Fair Value 31 March 2015 £m
Financial assets				
1,764.2	1,764.2	Fair value through profit and loss	1960.6	1,960.6
46.4	46.4	Loans and receivables	37.1	37.1
1,810.6	1,810.6	Total financial assets	1,997.7	1,997.7
Financial Liabilities				
(8.5)	(8.5)	Fair value through profit and loss	(6.2)	(6.2)
(5.0)	(5.0)	Financial liabilities at amortised cost	(4.2)	(4.2)
(13.5)	(13.5)	Total financial liabilities	(10.4)	(10.4)

The Fund has not entered into any financial guarantees that are required to be accounted for as financial instruments.

Note 14 d: Valuation of financial instruments carried at fair value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed interest securities and quoted index linked securities.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at level 3 are those where at least one input could have a significant effect on the instrument's valuation is not based on observable market data.

Such instruments would include unquoted equity investments, which are valued using various valuation techniques that require significant judgment in determining appropriate assumptions.

The following table provides an analysis of the financial assets and liabilities of the pension fund into levels 1 to 3, based on the level at which the fair value is observable:

Values at 31 March 2015	Quoted market price	Using observable inputs	With significant unobservable inputs	£m
	Level 1 £m	Level 2 £m	Level 3 £m	
Fair Value Financial assets				
Financial assets at fair value through profit and loss	1,336.6	624.0	0.0	1,960.6
Loans and receivables	37.1	0.0	0.0	37.1
Total fair value financial assets	1,373.7	624.0	0.0	1,997.7
Fair Value Financial Liabilities				
Financial liabilities at fair value through profit and loss	(0.0)	(6.2)	0.0	(6.2)
Total fair value financial liabilities	(0.0)	(6.2)	0.0	(6.2)
Net fair value financial assets	1,373.7	617.8	0.0	1,991.5

Values at 31 March 2014	Quoted market price	Using observable inputs	With significant unobservable inputs	£m
	Level 1 £m	Level 2 £m	Level 3 £m	
Fair Value Financial assets				
Financial assets at fair value through profit and loss	1,223.7	540.5	0.0	1,764.2
Loans and receivables	46.4	0.0	0.0	46.4
Total fair value financial assets	1,270.1	540.5	0.0	1,810.6
Fair Value Financial Liabilities				
Financial liabilities at fair value through profit and loss	0.0	(8.5)	0.0	(8.5)
Total fair value financial liabilities	0.0	(8.5)	0.0	(8.5)
Net fair value financial assets	1,270.1	532.0	0.0	1,802.1

Note 15: Nature and extent of Risks arising from Financial Instruments

In the course of every day operating, the Pension Fund is subject to a number of risk factors arising from the holding of financial instruments. The main risks arising from the holding of the Fund's financial instruments are market risk, credit risk and liquidity risk.

As detailed in the Pension Fund Statement of Investment principles the Fund holds equity and bond instruments in order to meet the Fund's investment objectives. The Fund's investment objectives and risk management policies are as follows;

- (1) The investment objective for the Fund is to:-
 - (a) ensure that sufficient assets are available to meet liabilities as they fall due;
 - (b) maximise the return at an acceptable level of risk.
- (2) Risk management is mostly concerned with:
 - avoiding the possibility of loss, or
 - limiting a deficiency in the underlying Fund, or
 - avoiding a contribution rate increase in the future.

Market risk

There are three main types of market risk that the Fund is exposed to as at 31 March 2015:

- Equity Risk
- Interest Rate Risk
- Foreign Exchange Risk

Equity risk refers to the risk arising from the volatility in stock prices; this can be systematic risk, the risk due to general market factors and affects the entire industry, or unsystematic risk, which refers to the risk specific to a company that arises due to the company specific characteristics. Interest rate risk is the risk that the value of a security will fall as a result of increase in interest rates. Foreign exchange risk arises because of fluctuations in the currency exchange rates.

The Fund reduces its unsystematic equity risk by diversifying investments across global markets, investing in over 1000 companies worldwide (excluding investments through pooled vehicles) and using five different investment managers to manage the Fund's equity investments. Investment restrictions are built into contracts held with each investment manager to ensure risk concentration is minimal and gearing of the Fund's assets cannot take place.

Interest rate risk has been reduced through the holding of fewer bonds as a percentage of the Fund's total assets.

Foreign Exchange risk exists in relation to the Fund's overseas equity investments. The Fund runs un-hedged equity portfolios and therefore is subject to currency fluctuations. It is the administering authority's view that in the long-run currency volatility trends to an average of nil against Sterling and therefore any hedging of currency would just be an additional cost to the Fund.

The Fund contracts WM Company to independently measure the Fund's investment returns and the Fund's absolute and relative risk for each portfolio and also the Fund as a whole. The Fund receives quarterly reports from WM Company listing returns and risk. The Fund's Independent Financial Adviser also provides a yearly report to the Pension Investment Advisory Committee, providing details of the Fund's risk and comparisons to all other Funds in the Local Authority universe.

Equity risk analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the fund's independent financial adviser, the Fund has determined that the following movements in market price risk are reasonably possible for the 2014/15 reporting period:

Asset Type	Potential Market Movements (+/-)
UK fixed interest securities	11.0 %
Overseas fixed interest securities	6.7 %
UK equities	10.3 %
Overseas equities	9.9 %
UK pooled investment vehicle	10.3 %
Overseas pooled investment vehicle	9.9 %
Global pooled investment vehicle	8.7 %

The potential price changes disclosed above are broadly consistent with a one standard deviation movement in the value of the assets. The analysis assumes that all other variables, in particular foreign exchange rates and interest rates, remain the same.

If the market price of the fund investments increases/decreases in line with the potential market movements above, the change in the net assets available to pay benefits will be as follows (the actual prior year movement in all asset classes is shown in note 13):

Asset Type	Value as at 31 March 2015 £ m	Percentage change %	Value on increase £m	Value on decrease £m
Cash and cash equivalents	15.6	0.0	15.6	15.6
Investment portfolio assets:				
UK fixed interest securities	13.4	11.0	14.9	11.9
Overseas fixed interest securities	114.4	6.7	122.1	106.7
UK equities	433.3	10.3	477.9	388.7
Overseas equities	766.2	9.9	842.1	690.3
UK pooled investment vehicle	201.4	10.3	222.3	180.7
Overseas pooled investment vehicle	179.2	9.9	196.9	161.5
Global pooled investment vehicle	242.7	8.7	263.8	221.6
Net derivative assets	(2.7)	0.0	(2.7)	(2.7)
Investment income due	6.9	0.0	6.9	6.9
Amounts receivable for sales	2.4	0.0	2.4	2.4
Amount payable for purchases	(2.8)	0.0	(2.8)	(2.8)
Total	1,970.0		2,159.4	1,780.8
Total (Including impact of correlation across asset classes)	1,970.0		2,141.6	1,798.4

Interest rate risk analysis

The fund's direct exposure to interest rate movements as at 31 March 2015 and 31 March 2014 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

Asset Type	Value as at 31 March 2014 £m	Value as at 31 March 2015 £m
Cash and cash equivalents	26.2	15.6
Cash balances	2.7	2.5
Fixed interest securities	116.9	127.8
Total	145.8	145.9

Interest rate risk sensitivity analysis

The Fund recognises that interest rates can vary and can affect both income to the fund and the value of the net assets available to pay benefits. The performance measurement provider by way of CIPFA statistics has advised that medium to long-term average rates are expected to move less than 100 basis points from one year to the next and experience suggests that such movements are likely.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits as at 31 March 2015 of a +/- 100 Basis Points (BPS) change in interest rates:

Asset Type	Carrying amount as at 31 March 2015	Change in year in the net assets available to pay benefits	
		+ 100 BPS	- 100 BPS
	£m	£m	£m
Cash and cash equivalents	15.6	0.0	0.0
Cash balances	2.5	0.0	0.0
Fixed interest securities	127.8	(1.3)	1.3
Total change in assets available	145.9	(1.3)	1.3

Income source	Amount receivable in year ending 31 March 2015	Effect on income values	
		+ 100 BPS	- 100 BPS
	£m	£m	£m
Cash deposits / cash and cash equivalents	0.5	1.3	(1.3)
Fixed interest securities	4.2	0.0	0.0
Total change in income receivable	4.7	1.3	(1.3)

This analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed income but will reduce their fair value and vice versa. Changes in interest rates do not impact the value of cash deposits / cash and cash equivalent balances but they will affect the interest income received on those balances. Charges to both the fair value of assets and the income received from investments impact on the net assets available to pay benefits.

Currency Risk

The following table summarises the fund's currency exposure as at 31 March 2015 and as at the previous period end:

Currency exposure - asset type	Asset value as at 31 March 2014	Asset value as at 31 March 2015
	£m	£m
Overseas quoted securities	635.4	766.2
Overseas unquoted securities	0.0	0.0
Overseas pooled investment vehicle	157.1	179.2
Global pooled investment vehicle	199.2	242.7
Total overseas assets	991.7	1,188.1

Overseas bonds are 100% hedged to GBP at 31 March 2015.

Currency Risk – Sensitivity analysis

Following analysis of historical data in consultation with the fund's performance measurement provider, the Council considers the likely volatility associated with foreign exchange rate movements to be 6.9% (as measured by one standard deviation).

This analysis assumes that all other variables, in particular interest rates, remain constant.

A 6.9% strengthening/weakening of the pound against various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Currency exposure - asset type	Asset value as at 31 March 2015	Change to net assets available to pay benefits	
		+ 6.9%	-6.9 %
	£m	£m	£m
Overseas quoted securities	766.2	819.1	713.3
Overseas pooled investment vehicle	179.2	191.6	166.8
Global pooled investment vehicle	242.7	259.5	225.9
Total change in assets available	1,188.1	1,270.2	1,106.0

Credit Risk

Credit risk is an investor's risk of loss arising from a borrower who does not make payments as promised. In essence the fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives position, where the risk equates to the net market value of a positive derivative position. However the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner. Investment restrictions are listed in the contract held with the manager, which limit the amount of credit risk the manager is allowed to take and also states an average credit rating with regards to bonds held that should be maintained.

The bond manager provides a quarterly investment report to the Fund, which details the credit risk held in the portfolio. The Fund's Independent Financial Adviser also provides a yearly report to the Pension Investment Advisory Committee, providing details of the Fund's bond portfolio absolute and relative risk.

Deposits are not made with banks and financial institutions unless they are rated independently and have a strong credit rating. In addition, the council invests an agreed percentage of its funds in the money markets to provide diversification. Money market funds chosen all have an 'AAA' rating from a leading rating agency.

The fund's cash holding at 31 March 2015 was £18.1million (31 March 2014: £28.9million). This was held with the following institutions:

Summary	Rating	Balances as at	Balances as at
		31 March 2014	31 March 2015
		£m	£m
Money market funds			
BNY Mellon Sterling Liquidity Fund	AAA	12.6	4.6
BNY Mellon US Dollar Liquid Fund	AAA	5.2	0.0
JPM liq-ster Liquidity-x	AAA	1.3	0.6
JPM liq-USD Liquidity-XDI	AAA	0.0	0.5
JP Morgan Liquidity Funds - US	AAA	2.3	2.2
Bank deposit accounts			
The Bank of New York Mellon	A-1+	4.8	7.7
Bank current accounts			
Barclays Bank PLC	A-1	2.7	2.5
Total		28.9	18.1

Liquidity Risk

Market liquidity risk is the risk that a given security or asset cannot be traded quickly enough in the market to prevent a loss (or make the required profit) or to meet the financial obligations of the Fund as they fall due. The Fund's investment managers purchase quoted and tradable securities. Equities held are listed on major world stock markets and managers employed are highly experienced in equity trading. The liquidity risk relating to the bond holdings is monitored and managed by the bond manager on an on-going basis. The Council also takes steps to ensure that the pension fund has adequate cash resources to meet commitments.

Note 16: Current assets

	2013/14	2014/15
	£m	£m
Contributions due from employer in respect of:		
Employer	6.1	6.8
Members	1.7	1.7
Magistrates Courts Bulk Transfer Payment Due	1.4	1.4
Augmentation	1.4	3.1
Cash balances	2.7	2.5
Other Debtors	3.5	3.7
	16.8	19.2

Note 17: Non-current assets

	2013/14	2014/15
	£m	£m
Magistrates Courts Bulk Transfer Payment Due	2.7	2.0
Augmentation	0.7	0.3
	3.4	2.3

Note 18: Current liabilities

	2013/14	2014/15
	£m	£m
Investment management expenses	(1.4)	(0.8)
Payroll and external vendors	(1.4)	(2.0)
Other expenses*	(2.2)	(1.4)
	(5.0)	(4.2)

*Included within 'other expenses' is £0.4m (£1.2m 2012/13) for the fund administration costs recharge to Worcestershire County Council.

Note 19: Analysis of debtors and creditors**Analysis of debtors**

	31 March 2014	31 March 2015
	£m	£m
Central government bodies	4.3	3.5
Other local authorities	10.0	10.1
Other entities and individuals	3.2	5.4
	17.5	19.0

Analysis of creditors

	31 March 2014	31 March 2015
	£m	£m
Central government bodies	(0.8)	(0.8)
Other local authorities	(1.7)	(1.7)
Other entities and individuals	(2.5)	(1.7)
	(5.0)	(4.2)

20. Related Party Transactions

The Worcestershire County Council Pension Fund is administered by Worcestershire County Council. Consequently there is a strong relationship between the Council and the Pension Fund.

The Council incurred costs of £1.2million (2013/14: £0.9 million) in relation to the administration of the fund and was subsequently reimbursed by the fund for these expenses. The council is also the single largest employer of members of the pension fund and contributed £31.0million to the fund in 2014/15 (2013/14: £31.0 million).

Scheduled, Admitted and Resolution bodies of the Fund are also related parties and are listed in note 24 to the accounts. Transactions with these bodies are disclosed on an aggregate basis in notes 5, 7, 16, 17, 18 and 19 to the accounts.

The posts of Director of Resources (2013/14 only), Head of Corporate Financial Strategy (2013/14 only), Chief Financial Officer, Senior Finance Manager and HR Service Centre Manager are deemed to be key management personnel with regards to the Pension Fund. The financial value of their relationship with the fund (in accordance with IAS24) is set out below:

	2013/14	2014/15
	£000	£000
Short term benefits*	81	76
Long term/post retirement benefits**	203	187
	284	263

*This is the pensions element of short term remuneration for key management personnel, i.e. annual salary, benefits in kind and employer contributions

**This is the accrued pension benefits, expressed as cash equivalent transfer value.

21. Contingent liabilities

The Fund had no material contingent liabilities as at 31 March 2015.

22. Contingent assets

Seven admitted body employers in the Worcestershire County Council Pension Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the pension fund and payment will only be triggered in the event of employer default. No bonds were called upon in this financial year.

23. Additional voluntary contributions

The amounts administered under AVC arrangements during 2014/15 are as follows:

	2013/14	2014/15
	£m	£m
Contributions received	0.2	0.2
Investments purchased	0.2	0.2
Change in market value	0.1	0.2
Retirement benefits paid or transferred	0.3	0.4

The combined value of the AVC funds at 31 March 2015 was £3.2 million, (31 March 2014 £3.2 million).

In accordance with Regulation 5(2) (c) of the Pension Scheme (Management and Investment of Funds) Regulations 1998 these amounts are not included in the Pension Fund Accounts but are disclosed as a note only (Note 23).

24. Participating Employers of the Fund at 31 March 2015

Scheduled Bodies

Worcestershire County Council	Marden Academy
Advanced Trust/Vale of Evesham School	Matchborough Academy
Alvechurch Middle School	Mordiford Academy
Ashperton Primary School Academy	Mount Carmel 1st School
Aspire Academy	Newbridge Advance Trust
Astwood Bank Academy	Newbridge Secondary Short Stay School
Barrs Court Academy	North East Worcestershire College
Baxter College Academy	Nunnery Wood Academy
Bengeworth First School	Oasis Community Learning (Warndon Primary)
Birchensale Middle	Our Lady of Lourdes Academy
Bishop Perowne Academy	Perry Wood Primary & Nursery
Bishop of Hereford's Blue coat School	Pershore Academy
Blessed Edward Oldcorne G M School	Prince Henry's Academy
Bredon Middle	Queen Elizabeth Academy
Bretforton 1 st School	Redditch Borough Council
Brockhampton Academy	Redditch RSA Academies Trust
Bromsgrove District Council	Regency Academy
Brookfield School	Regulatory Services (Bromsgrove)
Building Control	Ridgeway Academy
Burghill Academy	Riversides Academy
Canon Pyon Academy	Robert Owen Academy
Chantry Academy	Simon De Montford Middle
Christopher Whitehead Academy	Somers Park Academy
ContinU Plus Academy	South Bromsgrove High School
Crabbs Cross	South Worcestershire College
Dilwyn School	South Worcestershire ICT Shared Services
Droitwich Academy	St Johns C of E Middle
Dyson Perrins Academy	St Matthias Academy
Evesham High School	St Nicholas Owen Catholic Multi Academy Company
Fairfield High School	St Thomas Cantilupe Academy
Flyford Flavell 1st School	St Thomas More RC 1st School
Gorse Hill Academies	St. Ausustines G M School
Great Malvern Academy	St. Bedes G M School
H & W Fire Authority	St Clements Primary
H & W Community Council	St Pauls Academy
Hanley Castle Academy	Stourport Academy
Haybridge Academy	Stretton Sugwas Academy
Hereford Academy	Suckley Academy
Hereford College of Art	Tenbury High School
Hereford College of Technology	Trinity Academy
Hereford Marches Fed of Academies	Tudor Grange
Hereford Sixth Form College	Tudor Grange Academy Redditch
Hereford Steiner Academy	The Coppice Primary Academy
Herefordshire (unitary)	The Rivers Multi-Academy Trust

Holmer Primary School
 Honeybourne Academy
 Ipsley CE RSA Academy
 John Kyrle High & 6th Form Academy
 John Masefield High School & Sixth Academy
 Joint Museum Shared Services
 Kidderminster College of Further Education
 Kingstone High School
 Kingstone Academy Trust
 King Charles Academy
 Kingfisher Academy
 Lady Hawkins Academy
 Lickey Hills Primary
 Lickhill Academy
 Llangrove Academy
 Lord Scudamore School
 Lugwardine Academy
 Malvern Hills District Council
 Malvern the Chase Academy

The Vaynor Academy
 University College Worcester
 Vale of Evesham Academy
 Valuation Tribunal
 Walkwood Middle
 Warndon (Oasis) Academy
 Waseley Hills Academy
 Webheath Academy
 West Mercia Police Authority
 West Mercia Police & Crime Commissioner
 Whitecross Hereford
 Wigmore Academy
 Woodrush Academy
 Woodfield Academy
 Worcester City Council
 Worcester College of Technology
 Worcester Sixth Form College
 Wychavon District Council
 Wyre Forest District Council

Community Bodies

Bromsgrove District Housing Trust
 Brightstripe Cultural Health
 Community First
 Community Housing Group
 Courtyard Trust
 Encore Enterprises Limited
 Festival Housing Group
 FOCSA Services (UK) Limited
 Hereford Community Leisure Trust (HALO)
 Hereford Futures

Herefordshire Housing Association
 Hoople Ltd
 Malvern Hills OEC
 Malvern Hills Conservators
 Rooftop Housing Group
 Sports Partnership
 VESTIA Community Trust
 Worcester Community Housing
 Wychavon Leisure Community Association
 Wyre Forest Community Association

Transferee Bodies

4 Children
 Action for Children
 Action for Children (Malvern)
 Amey PLC
 Arete
 ATEGI
 Aztec Watersports
 Balfour Beatty (Living Places)
 Bespoke Cleaning Services
 Brandon Trust

County Community Project
 Cygnet Foods Ltd
 Herecad Enterprises Ltd
 Hewlett Packard ICT
 Jacobs UK Ltd
 Midland Heart
 National Youth Advocacy Service
 Omiston Academy Trust
 Redcliffe Catering Ltd
 Ringway

Bromsgrove PFI
CAPITA (IBS Schools)
Civica – Ex Wychavon DC Tupe

Shaw Homes Health Care
Worcester Communtiy Trust
Wychavon Leisure (BDC)

Designated Bodies

4 Children
Action for Children
Balfour Beatty (Living Places)
Baxtor College
Belbroughton parish council
Bewdley Town Council
Bewdley Woen Council
Bredon Parish Council
Broadway Parish Council
Brockhampton Group Parish Council
Bromyard and Winslow Town Council
CIVICA
Droitwich Town Council
Evesham Town Council
Hereford City Parish Council
Initial Facilities Services UK Ltd
Integral UK Ltd
Ewyas Harold Parish Council

Kempsey Parish Council
Lea Parish Council
Ledbury Town Council
Linton Parish Council
Malvern Town Council
Malvern Wells Parish Council
Persore Joint Burial Committee
Persore Town Council
Powick Parish Council
Rock Parish Council
Ross-on-Wye Town Council
Stourport Town Council
Upton - on Severn Parish Council
Upton Bishop PC
Wygmore High & Primary
Wythall Parish Council

25. Local Government Pension Scheme (LGPS)

Pension Benefits – A Brief Summary

Benefits payable from the Fund are governed by the Superannuation Act 1972 and the Local Government Pension Scheme Regulations 2007/08 (as amended).

Up to 31/03/2008 the Scheme provides for a pension based on 1/80th of pay for each year of service and a lump sum payment based on 3/80ths of pay for each year and from 01/04/2008 to 31st March 2014 the scheme provides for a pension based on 1/60th of pay for each year of service with an option to commute to provide for a tax free lump sum. Provision is made for the payment of a pension to a wife, husband, child, civil partner and cohabiting partner in the event of the death of an employee both before and after retirement. In the event of the death of an employee in service a Death Gratuity is payable.

Following Lord Hutton's review of public sector pension schemes; The Local Government Pension Scheme Regulations 2013 came into force from 1st April 2014 changing the scheme from Final Salary to Career Average Revalued Earnings (CARE)

Key features of the new LGPS 2014 are:

- Service built up from 1st April 2014 is still linked to earnings, but is calculated in a different way. The CARE scheme is still a defined benefit scheme.
- All pension built up to 1st April 2014 is guaranteed and will be calculated in the same way as before i.e. pension service linked to earnings at retirement.

- Pension build up increases from 1/60th to 1/49th of pay per year.
- Although there are new employee contribution rates, most of the Fund's membership will pay the same or a lower pension contribution.
- For members working part time their contribution banding is based on their actual earnings and not their full time equivalent pay – so they may pay a lower level of pension contribution.
- Normal retirement age won't be fixed at 65 as in the LGPS 2008 Scheme; it will be the same as the members State Pension Age, which will gradually increase from 65 to 68.
- If a members State Pension Age is before age 65, their new retirement age in the LGPS 2014 will be 65.
- Employees can now choose to leave employment and draw their pension anytime from age 55 subject to reductions for early payment.
- New opportunity to pay half contributions for half the pension rate (known as 50/50 section) but still retain full life cover and ill health protection.
- Employer continues to make a significant pension contribution to meet the cost of providing pension benefits.

Provision is made for the payment of immediate benefits with enhancement if retirement at any age is due to permanent ill health.

If after attaining age 55 an employee is made redundant, or retires with the agreement of the employer, immediate payment of pension benefits is allowed.

An employee leaving the service of an Authority before becoming entitled to receive pension benefits can apply for a refund of pension contributions paid if pensionable service is less than two years. Employees with more than two years' service have the option of preserving accrued benefits in the fund until retirement age, or transferring benefits to another occupational scheme or personal pension.

Various discretionary options, for the employing bodies and the Fund Administrator, introduced in the 1997 regulations have been issued in policy statements.

Further details regarding LGPS benefits can be found at: www.worcestershire.gov.uk/pensions or Email: pensions@worcestershire.gov.uk

5. Statement of Accounting Policies

This section provides a summary of the significant accounting policies and estimation techniques used in the preparation of Worcestershire County Council's Pension Fund accounts.

1. General

The Accounts for 2014/15 have been prepared in compliance with the International Financial Reporting Standards (IFRS) and Statement of Recommended Practice (Financial Reports of Pension Schemes) 2007 and also follow the 2014/15 Code of Practice on Local Authority Accounting issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The codes of practice have been followed, with the exception of any departures indicated below.

The core financial statements are as follows:

- The Fund Account
- Net Assets Statement

2. Legislation

Where specific legislation regarding accounting treatment conflicts with the Council's own Accounting Policies, legislative requirements have been followed.

3. Contribution Income

Normal contributions, both from the members and from employers, are accounted for on an accruals basis at the percentage rate recommended by the fund actuary in the payroll period to which they relate.

Employer deficit funding contributions are accounted for on the due date on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

Employers' augmentation contributions and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

4. Transfers to and from other schemes

Transfer values represent the capital sums either received in respect of members transferring from other pension schemes or paid to other pension schemes in respect of members who have left the Worcestershire Fund.

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

5. Investment Income

Income from equities is accounted for on the date stocks are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

Income from fixed interest and index-linked securities, cash and short-term deposits is accounted for on an accruals basis, using the effective interest rate of the financial institution as at the date of acquisition or origination. Income includes the amortisation of any discount premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

Income from other investments is accounted for on an accruals basis.

The changes in market value of investments during the year are recognised as income and comprise all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value.

6. Benefits Payable

Under the rules of the Scheme, members receive a lump sum retirement grant in addition to their annual pension. Lump sum retirement grants are accounted for on the date of retirement. Where a member can choose whether to take a greater retirement grant in return for a reduced pension these lump sums are accounted for on an accruals basis on the date the option is exercised.

Other benefits are accounted for on the date the member retires or on death.

Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

7. Taxation

The fund is a registered public service scheme under section (1) of schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

8. Management Expenses

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 permit costs incurred in connection with the investment and administration of the Fund to be charged against the Fund.

The Code of Practice does not require any breakdown of pension fund administrative expenses. However in the interests of greater transparency, the Council discloses its Pension Fund management expenses in accordance with CIPFA guidance on Accounting for LGPS management costs.

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

Investment Managers' expenses are charged on a percentage basis of the market value of assets under management and therefore increase or reduce as the value of these investments change. Global Custodian fees are agreed in the respective mandate governing their appointment.

The cost of obtaining investment advice from the fund's independent financial adviser is included in investment management charges.

All investment management expenses are accounted for on an accruals basis.

9. Administrative Expenses

Administrative expenses include employee costs that are charged to the fund on an accruals basis. All staff costs of the pensions administration team are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

10. Financial Assets

Financial assets at fair value through profit or loss are included in the net assets statement on a fair value basis as at the reporting date. Loans and receivables financial assets are included in the net assets statement at amortised cost, measured using the effective interest rate method, at reporting date. A financial asset is recognised in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value or amortised cost of assets are recognised by the fund.

Quoted Equities traded through the Stock Exchange Electronic Trading Service (SETS), are valued on the basis of the latest bid price.

The value of fixed interest and index linked securities in the Scheme's investment portfolio excludes interest earned but not paid over at the scheme end. This is included separately within accrued investment income. Fixed interest securities are recorded at net market value based on their current yields.

Un-quoted holdings can include directly held investments in limited partnerships, shares in unlisted companies, trusts or bonds. The valuation standards followed in their valuations adhere to industry guidelines or the standards set by the management agreement.

Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the fund, net of applicable withholding tax.

Transaction costs are included in the purchase cost and sales proceeds of investments.

11. Foreign Currencies

Where forward exchange contracts are in place in respect of assets and liabilities in foreign currencies, the contract rate is used. Other assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at the year-end. Income from overseas investments is recorded at the spot exchange rate at the date of the transaction. Expenditure arising from a transaction in a foreign currency has been translated into £ sterling at the exchange rate in operation on the day the transaction occurred.

Surpluses and deficits arising on conversion or translation are dealt with as part of the change in market value of investments.

12. Derivatives

The fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The fund does not hold derivatives for speculative purposes.

Futures are included in the net assets statement at market value which represents the total exposure to the stock market or asset class that the futures contracts affect. The value of futures contracts is determined using exchange prices at the reporting date. Amounts due from or owed to the broker are the amounts outstanding in respect of the initial margin and variation margin.

The future value of forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year-end with an equal and opposite contract.

13. Cash and cash equivalents

Cash comprises demand deposits and cash equivalents. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

14. Financial liabilities

Financial liabilities at fair value through profit or loss are included in the net assets statement on a fair value basis as at the reporting date. Other Financial Liabilities, not at fair value through profit and loss, are included in the net assets statement at amortised cost, measured using the effective interest rate method, at reporting date. A financial liability is recognised in the net assets statement on the date the fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value or amortised cost of the liability are recognised by the fund.

15. Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS19 and the relevant actuarial standards.

As permitted under IAS26, the fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (Note 2).

16. Contingent Assets

A contingent asset arises where an event has taken place that gives the Pension Fund a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Pension Fund.

Contingent assets are not recognised in the financial statements, but are disclosed in note 22 to the accounts.

17. Additional voluntary contributions

The Pension Fund scheme provides an Additional Voluntary Contributions (AVC) facility for scheme members. In 2014/15 some members of the pension scheme paid voluntary contributions and transfers to Scottish Widows and Equitable Life to buy extra pension benefits when they retire. Retirement benefits were also purchased during the year. The contributions are paid directly from scheme members to the AVC provider. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WORCESTERSHIRE
COUNTY COUNCIL PENSION FUND**

To be inserted later

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WORCESTERSHIRE
COUNTY COUNCIL PENSION FUND**
To be inserted later

Date:

Annual Governance Statement

1. Scope of responsibility

Worcestershire County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

2. The purpose of the governance framework

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised, and to manage them efficiently, effectively and economically.

3. The governance framework

Service planning

The Council's planning process links corporate aims and objectives with service policies and priorities to the responsibilities of individual staff.

The Corporate Plan – Future Fit is a single document setting out the County Council's vision and overall strategic direction. The Corporate Plan - Future Fit is developed by the Leader of the County Council after each main County Council election to reflect the strategic priorities of the ruling party/parties or where there has been a significant change in the environment within which the County Council operates and approved by full council. Against each key area of focus the Plan identifies a number of key aims and targets, which are managed through the quarterly Balanced Scorecards. Responsibility for achieving these lies with individual directorates, and relevant aims and targets are included in individual service delivery plans. Progress against the Corporate Plan - Future Fit is monitored and reported to councillors on a six-monthly basis. Updates take account of achievements against the Plan and any new information that needs to be included.

Statutory plans, as prescribed by Central Government, and Service Delivery Plans, which cover areas of service not covered by statutory plans, provide strategic direction and contain aims and objectives for individual services. They have a clear link to the Corporate Plan - Future Fit and contain aims and targets based directly on corporate policy priorities, as well as others reflecting additional service policy priorities. Progress against service delivery and statutory plans is managed through Cabinet Members with Responsibilities. Responsibility for producing service delivery and statutory plans rests with chief officers. Service delivery plans are produced on an annual basis and include the setting of performance improvement targets.

Compliance with Statutes and established policies and procedures is ensured through the Officers' Scheme of Delegation as set out in the Constitution and also the appointment of separate individuals to the posts of Head of Paid Service, Monitoring Officer and Chief Financial Officer each of whom has specific statutory responsibilities relating to the governance of the County Council. The Scheme of Delegation sets out general delegations and responsibilities which all Chief Officers have and those specifically delegated to a particular Chief Officer. The Scheme also contains restrictions on the way officers carry out their functions. The County Council also publishes an Officers' Code of Conduct as part of the Constitution which applies to all officers of the County Council.

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

Financial management

The County Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). The Chief Financial Officer is a member of the Strategic Leadership Team and helps to develop and implement strategy and deliver the County Council's strategic objectives sustainably and in the public interest. Finance staff are actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and aligned with the County Council's financial strategy. The Chief Financial Officer leads the promotion and delivery by the whole organization of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

The County Council has a four year rolling Medium Term Financial Plan (MTFP) which is used to inform the annual budget setting process. The MTFP is updated annually as part of the budget setting process.

The Constitution formally sets out parameters for the financial management of the County Council and Service Directors are responsible for budgetary control within their services. Budget monitoring reports are routinely considered by both officers and elected members. In addition there are a range of national indicators against which services are monitored during the year and the results are published on an annual basis.

Balanced Scorecard

The Balanced Scorecard is used to show the relationship between the intended outcomes of the Corporate Plan - Future Fit with the vital finance, workforce and process measures that support their delivery. The indicators have been specifically designed to reflect the needs of the County Council rather than meet central government requirements, following consultation with a focus group of residents. The Balanced Scorecard is available to the public via the County Council's website to improve accountability to local communities. Performance is measured and reported internally on a quarterly basis and publicly every six months.

Political structure

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

Cabinet members have specific areas of responsibility:

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

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

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

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

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

4. Review of Effectiveness

This review of the effectiveness of the governance framework is informed by assurances provided by Directors within the County Council who have responsibility for the development and maintenance of the internal control environment, the comments made by the external auditors and other review agencies and inspectorates and also the work of the internal auditors.

Each Directorate has in place a risk register which records the major risks facing the Directorate and assesses the potential impact of those risks. Registers are reviewed and added to during the year to reflect service changes. Within each Directorate there are also operational controls that are used on a day-to-day basis to control the delivery of services, none of which disclosed any significant weaknesses in control during the year.

Business continuity is well established within the County Council, is reviewed regularly within all Directorates and this is co-ordinated by the Corporate Risk Management Group chaired by the Risk and Business Continuity Manager.

The County Council has not been notified of any significant weaknesses from any independent annual independent inspections during the year, e.g. by the Care Quality Commission and OFSTED for example..

In writing this statement reliance has been placed upon the Directors and their management teams who have provided reports relating to the application of the appropriate controls. Also statutory duties placed upon the Monitoring Officer and the Chief Financial Officer requires them to draw to Members' attention improper practices or financial imprudence. Internal Audit carried out 67 audits in 2014/15, 8 of which given limited assurance. No issues have been reported that indicate that the organisations control environment has been materially compromised. The Audit and Governance Committee receive reports on these audits. In all cases, either actions have already been implemented to address weaknesses identified or where actions remain outstanding, the area of limited assurance does not impact materially compromise those controls in place within the County Council.

The process of review of financial systems by the internal audit section is continuous. Regular budget monitoring reports have been presented to Members during the year and have confirmed that expenditure is within cash limits.

The County Council has contractual arrangements to govern its relationship with the majority of the organisations with which it deals. A key partner in the delivery of services is the Worcestershire Partnership Executive Group, which brings together local government, public services such as health, learning providers, police and voluntary and community organisations within Worcestershire. The role of the Partnership is to develop and deliver a vision for the future of Worcestershire that meets the aspirations of local people and which promotes the social, economic and environmental well-being of Worcestershire.

Chief Executive

Leader of the County Council

Date:

Glossary of Terms

Accounting policies

The policies and concepts used in the preparation of the accounts.

Accruals

Cost of goods and services received or provided in year but not yet paid for.

Actuary

An independent company which advises on the assets and liabilities of the fund with the aim of ensuring that the payment of pensions and future benefits are met.

Admitted bodies

Voluntary and charitable bodies whose staff can become members of the Local Government Pension Scheme, subject to certain terms and conditions, and other organisations to which Local Government employees have been transferred under the outsourcing of local government services.

Amortisation

The drop in value of intangible assets as they become out of date.

Assets under construction

Capital expenditure on assets where the work is incomplete.

Augmentation

Additional employer contributions relating to the cost of employees who are allowed to retire before their normal retirement age.

Billing authority

The local authority which collects Council Tax. In Worcestershire this is the district or borough council.

Capital charge

A charge to services to reflect the cost of Property, Plant and Equipment used in the provision of services.

Capital expenditure

Expenditure on acquisition or construction of assets which have a value to the authority for more than one year e.g. land and buildings.

Capital financing costs

The costs of financing non-current assets, being the interest costs of external loans and monies used to repay debt.

Capital receipts

Income from the sale of capital assets such as land and buildings.

Central Support Services

The provision of services by the central directorates of the County Council in respect of finance, human resources, legal, administration, information technology and property.

Commutation/commuting

Where a member of the pension scheme gives up part or all of their pension in return for an immediate lump sum. It is also called a cash option.

Council tax precept

A property based tax which is set by the County Council and administered by District and Borough Councils

Creditors

Amounts owed by the County Council for work done, goods received or services provided but for which payment has not been made by the end of the accounting period.

Current service cost

Officers employed during the year will have earned one or more years of pensionable service. The current service cost is the increase in the value of the pension scheme's liabilities arising from the employee service during the period.

Custodian

The organisation that holds and safeguards the Pension Fund assets.

Debtors

Amounts due to the County Council for work done, goods received or services provided but which remain unpaid by the end of the accounting period.

Dedicated Schools Grant (DSG)

A central government grant paid to the County Council for use for expenditure on schools.

Deferred pension benefit

A pension benefit which a member has accrued but is not yet entitled to receive payment.

Depreciation

The fall in value of an asset, as recorded in the financial records, due to wear and tear, age or obsolescence.

Derivatives

A financial instrument whose characteristics and value depend upon the characteristics and value of an underlier, typically a commodity bond, equity or currency. Examples of derivatives include futures and options.

Effective Interest rate

The Effective Interest Rate (EIR) is the rate that exactly discounts estimated future cash payments or receipts through the expected life of a financial instrument. When calculating the EIR, the Council shall estimate cash flows considering all contractual terms of the financial instrument."

Equities

Shares representing the capital of a company issued to shareholders, usually with voting rights on the way the company runs the business.

Fair value

The amount for which an asset could be exchanged or a liability settled.

Financial instruments

Any contract giving rise to a financial asset or liability. For the County Council this is likely to be a loan or investment.

Fixed interest

Corporate bond – a certificate of debt issues by a company or institution in return for a fixed rate of interest with a promise of redemption to repay the original sum.

Gilt – similar to corporate bonds by way of interest and redemption, but these are issued by Government and are a loan to the Government.

Forward foreign exchange

An agreement to purchase or sell an amount of foreign currency at a future date and predetermined price.

Imprest accounts

Petty Cash Accounts used for small items of expenditure.

Index linked

Stock whose value is related directly to an index, usually the Retail Price Index and therefore provides a hedge against inflation.

Minimum revenue provision (MRP)

The amount set aside out of the revenue budget to repay external loans.

National Non-Domestic Rates (NDR)

A tax collected locally by borough and district councils and paid to Central Government. It is then redistributed to county, unitary, borough and district councils on the basis of the resident population.

Operating leases

This is where the rewards and risks of ownership of the asset remain with the leasing company and the annual rental is charged directly to the revenue account.

Pooled investment vehicles

A fund in which multiple investors contribute assets and hold them as a group, for example a unit trust.

Precept

The amount the County Council (the precepting authority) ask district and borough councils to collect as council tax.

Private Finance Initiative (PFI)

A long-term contractual public private partnership under which the private sector takes on the risks associated with the delivery of public services in exchange for payments tied to standards of performance.

Provisions

Monies set aside to meet any liabilities or losses which are likely or will be incurred, but the amounts or the dates on which they will arise are uncertain e.g. provision for bad debts.

Public Works Loan Board (PWLB)

A government agency which provides long-term loans to local authorities at favourable interest rates.

Reserves

Money set aside to meet the cost of specific future expenditure.

Revenue balances

This is the general reserve of the County Council.

Revenue contributions to capital expenditure

The amount of capital expenditure to be financed directly from the annual revenue budget.

Revenue Support Grant (RSG)

A general central government grant paid to the County Council in support of annual revenue expenditure.

Scheduled bodies

Local authorities and similar bodies whose staff are entitled automatically to become members of the Local Authority Pension Fund.

Settlement costs

Settlement costs arise when a lump-sum payment is made to a scheme member in exchange for their rights to receive certain pension benefits.

Stock lending

The temporary transfer of stock (shares / securities) to a third party for a fixed or open period of time. In return the owner of the stock receives an agreed consideration secured by collateral of equal or greater value than the loaned securities.

Transfer values

Sums which are either paid to or received from other pension schemes and relate to new and former members' periods of pensionable employment with employers participating in the scheme.