

11 September 2008

7. REPORTS OF CABINET MEMBERS WITH RESPONSIBILITY

(b) REPORT OF THE CABINET MEMBER WITH RESPONSIBILITY FOR FINANCE

1. It gives me great pleasure to present my report to the Council. I would like to highlight the following points, which might be of interest to Members.
2. The Accounts and day-to-day processes continue to run to the standards that the Council would expect. In some ways it seems to have been a quieter year than the year before, as we settle in to the delivery of the three-year medium plan of the Council. The 2007/08 accounts were closed on time and the audit process was completed in line with the new timetable. After this meeting, I have a meeting with our new external auditors who are undertaking the latest value for money assessment. I would like to express my thanks to our new auditors who have done excellent work on behalf of local taxpayers.
3. I am pleased to report, as Council will be aware, that the external auditor issued an unqualified opinion on the statutory financial statements for 2007/08 after the statements were approved by the Audit and Governance Committee on 27 June 2008. The external auditors expressed how very pleased they were with the final accounts performance and how quickly the job was done.
4. The Council's Use of Resources score was confirmed during the period and this keeps us in the top class. This is a key feature of the Corporate Assessment and is a valid certification from the Audit Commission that in terms of value for money the Council is delivering a top quartile performance.
5. The Budget and the Budget process was again a key section of the work for the year. The Council set the budget for 2008/09 on 21 February at £289.024m, an increase of 3.5% over the adjusted 2007/08 base position of £279.347m. This followed the Government's funding allocations for the next three years. A move from Government, which is helpful in that it gives a degree of certainty to the medium term financial plan. The Formula Grant for Worcestershire in 2008/09 being £83.052m, an increase of 4.2% compared with an average of 5.2% for comparable counties. The Government expected the average Council Tax increase in England to be substantially below 5% and that it would use its powers to cap excessive

increases in Council Tax. The Council Tax was set at £984.77 for Band D equivalent. This represented an increase of 4.34% over the comparable figure for 2007/08.

6. There is no doubt, even with this increase of resources, that the Council will be facing considerable pressures. Examples include, pay and price inflation especially in energy costs, rising waste disposal costs, and combating the costs of climate change. Very importantly, we must remember the growing numbers of elderly people who rely on the Council for care as highlighted by a prediction in the Wanless Report that spending will have to double by 2026 on social care for the elderly. All of this has to be set against a very uncertain financial climate where the Council will have to be very mindful of what people can afford to pay through their council tax.
7. This Budget shows the start of the decline in capital spending which was forecast in last year's budget report, from a high of £105m in 2007/08 to £99m this year. There will be a further decline to £60m in the year 2009/10 as the Council finishes a wide range of schemes. It is a result of the Council's use of prudential borrowing powers that we were able to fund the £15m urban road improvement scheme and £5m for flood mitigation measures.
8. I would like to thank all those who took the time and trouble to respond to the budget consultation process. This process has had some scepticism expressed in the past, but it is a very helpful influence on the process as evidenced by the £5m flood mitigation programme.
9. The continuing work on efficiencies that the Council has placed a lot of emphasis on has paid great dividends since we have exceeded our target by almost £7m over the past 3 years and this has been a major contribution to the increased service levels.
10. We continue to lobby for Area Cost Adjustment and work with Professors Blanchflower and Oswald. I feel that we have made more progress in this area over the last year and are starting to have an effect on the thinking of the Government. Professor Blanchflower's latest report led to him and the Director of Financial Services making a presentation to the Government's Settlement Working Group in June and keeps the debate alive.
11. Pension Fund investment trends over the past year have seen some of the greatest market turbulence in recent years. This has had an effect on the overall value of the fund - down by £51m to £1,195m at 31 March 2008. As pension funds are very long term this still represents a large increase on the value in 2001 when the fund stood at £780m. The decision that the Fund Managers took in 2007 to place the fund in more value-based stocks has proved to be wise. The inflow of funds into the scheme over pension payments has increased by nearly £3m to a surplus of £44m. In the private sector final salary schemes have faded away in a lot of firms and staff should remember that their excellent pension arrangements have to be seen as an important part of their remuneration package.

12. West Mercia Supplies continues to perform strongly in line with the business plan laid out for it following the review carried out 4 years ago. Total sales show an increase of 12% on the year to 31 July. We continue to lead the local government field in the area of energy procurement and the flexible gas purchasing platform has shown its worth, as we have been able to delay the rise in gas and electricity prices to our customers. Our customers will shortly be notified of new prices with a unique offer to cap prices for a year, but prices will be reviewed on a three-month basis to allow prices to be cut if market conditions allow. We think that the market is still going to trend downwards as the capacity to handle liquid gas increases in this country. During the year we have had, in partnership with Kent County Council, considerable input in to the Government's procurement programme for schools. West Mercia Supplies remains a first class example of shared services on a regional basis.
13. Treasury management has had a strong year in view of the market conditions and continues to perform well against the recognised benchmarks. Our cost effective borrowing strategy has locked in past low interest rates. We continue to practice risk averse money market activity in these turbulent times.
14. I have been continuing the monthly meetings with the Trade Unions on behalf of the Council and these have been of use to us all. I was sad to hear that Unison decided to take strike action over pay, although members of other Trades Unions voted to accept the Employers' offer of 2.475%. Negotiations continue and it is hoped the current dispute will be settled by the end of December.
15. I would like to thank the Audit and Governance Committee for its work over the year. It is very helpful to have such an independent body to look at our work.
16. Looking ahead, we will have to update in the coming months the medium term financial plan when we have certainty over mainly pay and energy costs. Next year's budget will focus on some of the challenges we face and this work has started, mindful of the question of affordable Council Tax. We are delighted to play a part in forging ahead with Building Schools for the Future in Wyre Forest and striving for continuous improvement in cost efficiency. We must ensure that reforms aimed at simplifying the Government's Local Authority Business Growth Incentive Scheme are not a missed opportunity to provide a real incentive for Councils to work with local business to sustain and develop the local economy.

Adrian Hardman
Cabinet Member with Responsibility for Finance