

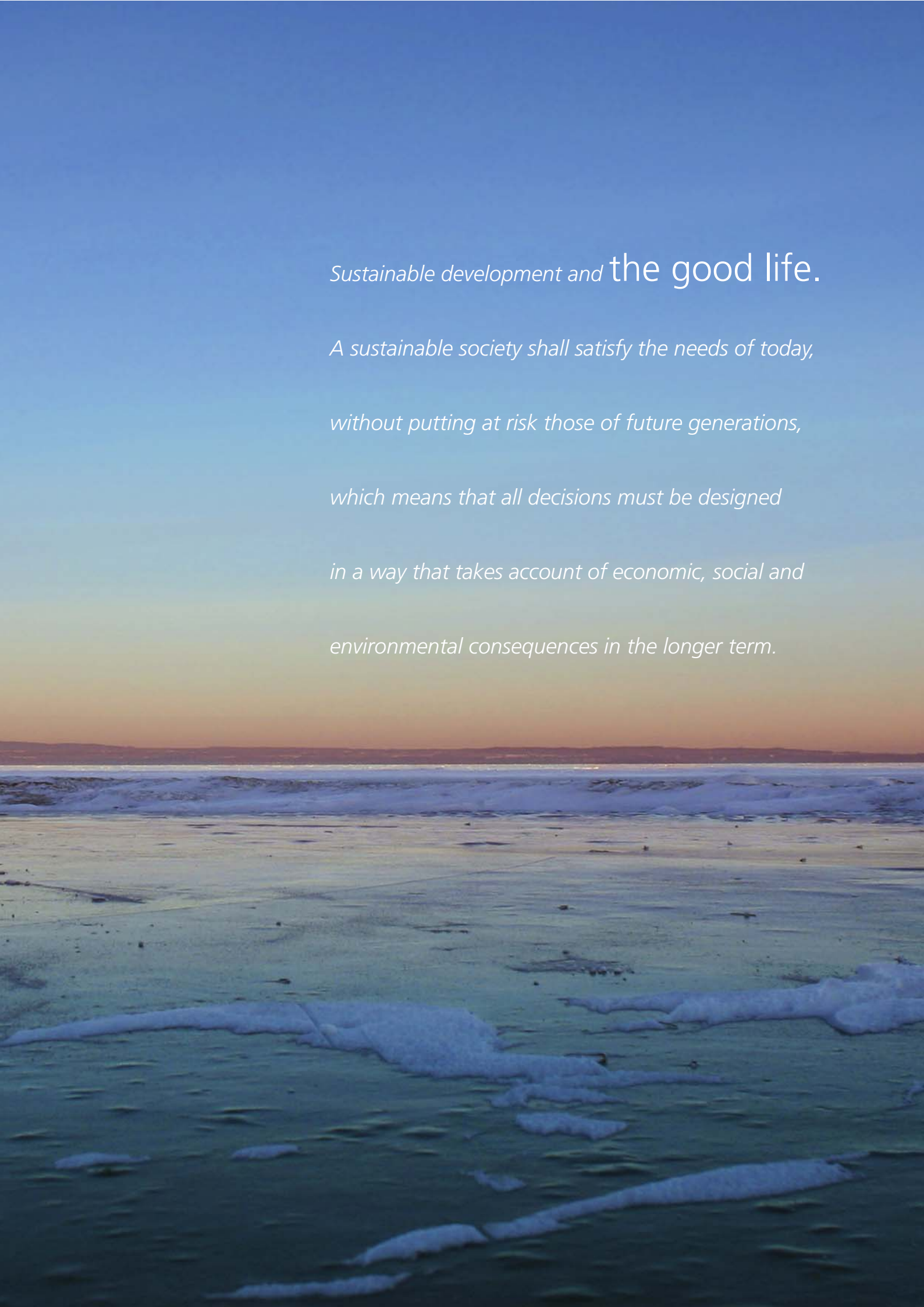
A close-up, low-angle shot of a person's arm and hand gripping a blue kayak paddle. The person is wearing a red life vest. The kayak is on a blue sea with white water splashing. The sky is blue with white clouds. The text "Annual Report 2007" is overlaid in white.

# Annual Report 2007

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*Sustainable development and* **the good life.**

*A sustainable society shall satisfy the needs of today,*

*without putting at risk those of future generations,*

*which means that all decisions must be designed*

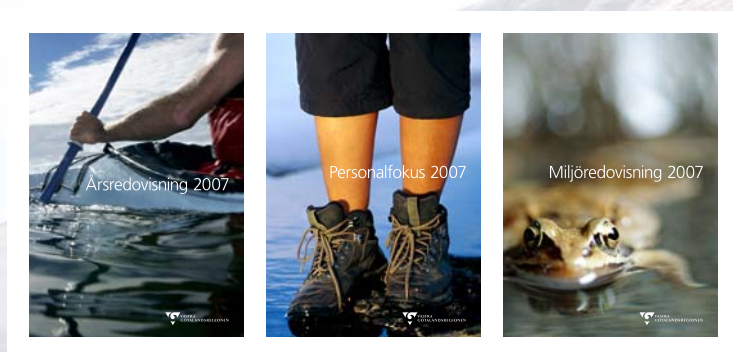
*in a way that takes account of economic, social and*

*environmental consequences in the longer term.*

Region Västra Götaland was formed in 1999 and has now been in operation for nine years. In the county of Västra Götaland, where the Västra Götaland regional authority carries on its activities, there are 49 municipalities. Just over one and a half million inhabitants live there, which is almost one-fifth of the population of Sweden. The Region is politically and democratically controlled for the benefit of those living in the county. The regional government of Västra Götaland has two major areas of responsibility:

*Growth and development – an umbrella term for the fields of activity of regional development, culture and environment, whose tasks are to create the prerequisites for successful industry and commerce, good public transport, a rich cultural life and favourable life chances for the inhabitants of the Region.*

*Health and medical care – the largest area of responsibility, in which 90 per cent of the employees work. Healthcare comprises hospitals, health centres and dental surgeries, which provide the public with the care it needs.*



**Annual Report 2007** – one of three publications in Region Västra Götaland's reporting for the 2007 financial year.

Further copies of the annual report may be ordered from: Adress- och distributionscentrum, Regionens Hus, Mariestad, telephone +46 (0)501-620 84, e-mail: [adress.distributionscentrum@vregion.se](mailto:adress.distributionscentrum@vregion.se). All three publications are available at [www.vregion.se/ekonomi](http://www.vregion.se/ekonomi). Annual reports are also available for each unit in the Group. Region Västra Götaland is the same entity as Västra Götaland County Council, which is the legal name. Registration number: 23 21 00-01 31.



# 2007 The Regional Council in brief

*Below is a selection of the resolutions and events of importance in the Regional Council during 2007.*

- **Establishment of Angered Community Hospital.** In April the Regional Council approved the establishment of a community hospital in Angered. The Regional Executive Board was charged with taking the necessary decisions for the planning, design and construction of the hospital.
- **Preventive dental care.** At its meeting in April the Council took a decision to introduce preventive dental care throughout Region Västra Götaland under the management of the National Dental Service. Under the scheme patients sign a contract with their dental clinic for basic dental care at a risk-related fixed price for three years at five premium levels.
- **Budget and three-year plan.** In June the Council approved the 2008 budget and the aim and direction for the years 2009–2010. It was also decided that the tax rate for 2008 should remain unchanged at 10.45 per cent. The budget was revised following a decision made in October, as a result of which health and medical care was allocated an additional SEK 249 million and public transport SEK 60 million.
- **Advance payment for Partihall Link in Gothenburg.** At its June meeting the Regional Council approved an agreement between the National Road Administration and the Regional Development Board relating to payment in advance for the Partihall Link in Gothenburg. The Regional Executive Board was instructed to grant the National Road Administration an interest-free loan of SEK 200 million in accordance with the agreement to enable this important link to be built ahead of schedule.
- **Regional policy basis for infrastructure in Västra Götaland.** At the June meeting a regional policy basis was also approved for infrastructure for the planning for 2010–2019. Region Västra Götaland was asked to submit this policy document to the Government and the road traffic organisations concerned. This is the first time that a regional self-governing body has had an opportunity to submit a regional policy basis to the Government.
- **Opinion on the report of the Parliamentary Committee on Public Sector Responsibilities – “A sustainable community organisation with the ability to develop”.** The Regional Council decided in September to deliver an opinion on this report, substantially lining up behind the proposals contained in it.
- **Commission for the purchasing boards concerning contacts with the public.** The Regional Council resolved in September to commission all purchasing boards (the health and medical care boards, the regional development board, the environmental board and the cultural board), starting in 2008, to provide the public by suitable means at least once a year with an opportunity to put questions about the sphere of activities of the boards. At the same time the public question time in the Council will cease.
- **Theme day on infrastructure.** At the October meeting of the Council a theme day was held on infrastructure. The Region is highly active in working on questions in this area, which include planning for the development of roads, railways and public transport. The theme day started off with two speeches, one about opportunities for growth (given by Bo Wiktorin from NUTEK, the Agency for Economic & Regional Growth) and the other about the conditions for sustainability (given by Claes Roxbergh).
- **Regional development plan for child and adolescent psychiatry.** In October a regional development plan for child and adolescent psychiatry was adopted. The plan is a basic controlling document for the future development of healthcare.
- **Growth programme for Västra Götaland 2008–2013.** At their December meeting the members of the Council had an opportunity to put forward views about the proposed growth programme for the entire Region, drawn up by the Preparatory Committee for Regional Development.

Through questions and interventions, Council members can obtain clarification of various matters during the meetings. They can also raise motions containing proposals. During the year they raised 35 questions (18 in 2006) and made 25 formal requests for information (28 in 2006). In addition, 37 motions were raised (2006: 36 motions), 32 of which received a reply (2006: 25 motions).

# A region to be proud of!



“ The proposals of the Committee on Public Sector Responsibilities entail making the model underlying our activities in Region Västra Götaland a permanent one. Our method of working is a good way in which to develop Sweden! ”

**R**egion Västra Götaland is a prototype of the future organisation of Swedish society. The proposals of the Committee on Public Sector Responsibilities entail permanency of the model underlying our activities in Region Västra Götaland. Our model has also shown itself to be successful when it comes to measures in the area of the environment and in the cultural sector, and here, too, it has figured in the Committee's proposals. The way in which we work is a good way in which to develop Sweden! It is an excellent testament to the work of the Region and something in which to take pleasure.

As we close the books for 2007, we can also take pleasure in good financial results.

I also experience pleasure and pride when I come into contact with our departments. So much good is being done and so much is being developed and improved in the course of a single year! When I meet representatives and employees of the various departments in the Region, I experience pride and confidence in the future. In the course of the year major changes have taken place for the better in many areas. In the area of health and medical care, large improvements have taken place in the reception that patients and relatives meet with in their contacts with the health services. The promise contained in the healthcare guarantee of an appointment with the primary care services on the same day that medical advice is sought is now being fulfilled in the wake of hard work over the past year. With regard to appointments with a primary care doctor, the departments had also, by dint of hard work, by and large achieved the guaranteed waiting times at the end of the year. While this is a cause for pride and satisfaction, we have still not

reached our goal. Honouring the healthcare guarantee is an absolute requirement that we must satisfy. Given the energy to be found in the departments, I am convinced that this goal will be achieved.

Gender equality is one of the fundamental perspectives in Vision Västra Götaland. In our own operations we have focused for several years on increasing gender equality in regard to salaries and on putting right incorrect salaries. This year the trend for women's salaries to increase more than those of men is being reinforced, which is an important step on the road to gender equality in the region.

The mission of Region Västra Götaland is to contribute towards the population being able to live a good life. The most important condition of achieving success in this respect is commitment and responsibility on the part of our staff. A readiness to develop, curiosity and cooperation are prerequisites for improving our own daily lives and are necessary to improve overall goal fulfilment by the Region. It is our staff we have to thank when departments develop and meet the challenges of the future. What is more, the fact that the region is proposed as a model for Sweden in the future is an endorsement of our staff!

Vänersborg, March 2008

**Roland Andersson**

*President of the Regional Executive Board*



# Increasingly integrated operations

“ Region Västra Götaland contributes in various ways to innovation and unexpected meetings that engender integration between departments and ideas, both within the organisation and in the world outside. ”



During its ninth year of operations Region Västra Götaland continued in various ways to make the most of the advantages of being a region tasked with being responsible for health and medical care and for issues that reinforce the growth and development of Västra Götaland. Both these tasks are our strength, and we are becoming better and better at finding areas of interaction. Sometimes these areas are fairly obvious, but occasionally they are also somewhat unexpected.

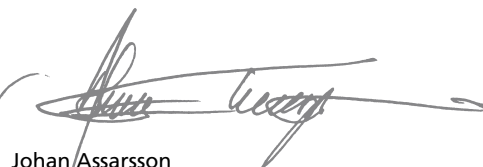
Culture and public health are examples of areas that are present in an increasing number of contexts. Culture is an important aspect now that the public health policy of the Region is to be reviewed, and I am convinced that it is possible with the aid of culture to find new ways of achieving changes and improvements. Innovation and unexpected meetings give rise to new jobs, both in the cultural sector and elsewhere. In the work carried out over several years on “Design with care”, meetings between architects, manufacturers, designers and others have resulted in environments that cater for disabled persons, are beautiful and have also been created in an ecologically sustainable manner. Here we play the role of a motivating and unifying player by creating arenas in which the meeting between the various players can take place.

One department that is constantly facing new development is health and medical care. In 2007 work started on shaping a regionwide strategy for quality and business development. Such a strategy is based on factors that have proved to be successful for development, including committed leadership, universal involvement, process orientation and an overall approach. While our organisation already contains a high level of competence professionally, we need to become better at “improvement knowledge”. Once again this is an integration the outcome of which will be very exciting to follow!

One area where business development can lead to improvements is the availability of healthcare. Many departments describe how by making changes to how they work they have managed to achieve better availability for patients as well as a better working environment – being aware that neither oneself nor one’s resources are always really adequate is a question of the working environment. Last year Region Västra Götaland published an initial version of a healthcare portal, containing information about illnesses and treatments and other practical information. The intention eventually is to create certain online services, such as changing the time of an appointment. Online healthcare services also enable the healthcare sector to integrate information and services with other healthcare activities.

With our 50,000 employees, Region Västra Götaland serves as an important arena for questions which concern how we behave – towards one another and towards those who we are here for: the public and patients. The theme of the 2007 Leadership Days was “Reception”, and I believe that many others besides myself have since then wondered a lot about how many things there are that affect people’s perception of us. The platform of Region Västra Götaland sets out the basic values that should characterise our activities. A good reception is from various points of view one of these values that underlie the way in which we should work to create a common identity for Region Västra Götaland.

Vänersborg, March 2008



**Johan Assarsson**  
Chief Executive

# Economic outlook

Turbulence in the world's financial markets at the end of 2007 has meant that there has been a slowdown in global growth. Growth in Sweden, nevertheless, is relatively satisfactory as a result of a high level of demand domestically. The numbers of those employed went up sharply during the year, while unemployment continued to fall. The satisfactory trend in the economy in the last few years has had a beneficial effect on the economy of the Region. The challenge facing the Region in the coming years is to balance its costs in order to meet the deterioration in the economic climate.

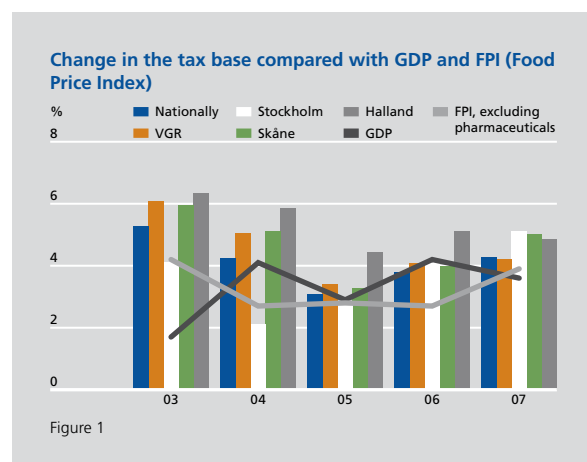
Prospects globally are good, despite having become a little more uncertain since the end of 2007. The turbulence in the autumn in the US housing market and its effect on the world's financial markets have caused the growth rate in the world generally to slow down more than expected. Growth in Sweden has also been affected; however, the strong demand domestically, particularly in the service sector, which is less dependent on the global economic climate, has had a positive effect on growth, enabling GDP to grow by 2.8<sup>1)</sup> percent in 2007.

The Swedish economy has grown quickly in recent years, which has affected regional development. The impact that growth has had varies in different parts of the country, depending on which parts of the economy are growing and on the fact that business structures differ. During 2007 there has been a slowdown in the global industrial climate, which affected the Swedish economy through, among other things, a fall in the number of orders received from the export market. The automobile industry is to a large extent the engine of the economy of the west of Sweden. This is a market that is highly dependent on exports, resulting in an adverse impact on growth in this region. Domestic demand, which has expanded substantially, favours growth in the large conurbations and thus also to a certain extent in the west of Sweden, which overall is expected to experience a moderate rate of growth in 2007.

Growth in employment has expanded considerably, especially in 2007. This rapid increase has coincided with a decrease in absenteeism in the labour market. The numbers of unemployed persons are continuing to fall, though not to the same degree as the increase in the numbers of those employed, the reason being an increased supply of labour. In Västra Götaland unemployment has fallen in the past year and, according to AMS<sup>2)</sup>, at present stands just below the national average. The growth in employment is moderate, however, and is generated primarily

in the service sector and also to some extent in the public sector. The substantial growth in employment and a higher rate of wage increases in recent years have benefited the growth of the tax base. The increase in the number of hours worked substantially boosted the tax base in 2007. See Figure 1.

The population increase and the trend in the labour market in Sweden affect the tax revenues of Region Västra Götaland.



1) Statistics Sweden (SCB) 2007.

2) AMS (National Labour Market Board) statistics for December 2007.



Tax revenues account for approximately 65 per cent of the Region's income, making a population increase and growth in employment nationally important. In 2007 the growth in population was moderate in Västra Götaland compared with the other large conurbations. Stockholm and Skåne are currently the locomotives of the Swedish economy when it comes to population increases and growth in employment, as can be seen in Table 1.

### Future prospects

Following a prolonged phase of growth, there will be a decline in global growth in the next few years. However, despite some downturn in growth, the consensus of opinion is that the growth of the world market will be relatively high. It is mainly the rapid expansion in the growth economies in Asia and Latin America that contributes to high growth globally, whereas in the USA and several other OECD countries the economic trend is more uncertain. The trend in the financial markets also amounts to an uncertainty in the future.

The growth of the Swedish economy, which at present is very high, will be affected by the downturn in the global economic situation. The Swedish economy is expected to cope well with this downturn through very strong growth in employment and a business structure that favours growth, independently of the

economic climate in the world at large. In the view of SALAR<sup>3)</sup>, growth in GDP in Sweden will fall to three per cent in 2008 and then fall further in 2009–2010 to around two per cent annually.

The growth in the tax base is estimated to be on average just over five<sup>3)</sup> per cent annually in the period 2007–2011. A change of one per cent in the tax base affects Region Västra Götaland by about SEK 250 million. The expected high growth in the number of hours worked in 2007–2008 will bring a substantial reinforcement in the tax base, providing local authorities and county councils with more resources. The trend thereafter will be characterised by a successive decrease in the number of hours worked, but with continued high salary increases, which will, nevertheless, give rise to a rather high growth in the tax base. However, this development will not mean increased resources for local authorities and county councils to the same extent since the salaries for their workforces are expected to rise at the same rate.

For several years Region Västra Götaland has benefited from a strong economy and high earnings. However, the strengthening of resources in the last two years, particularly in healthcare, and increased costs for medicines and personnel have brought a rise in costs. The challenge for the Region in the years to come will be to force costs back down to a more sustainable level before the economic situation gets worse in 2009–2010.



### Population and unemployment in 2007

Area	Population and change 2007		Those unemployed persons as a percentage of the labour force 2007	
	Thousands	%	Thousands	%
Västra Götaland	1,547	0.5	25	3.1
Stockholm	1,950	1.3	26	2.5
Skåne	1,199	1.0	22	3.6
Halland	291	0.7	4	2.8
Nationally	9,183	0.6	161	3.5

Table 1

3) The Swedish Association of Local Authorities and Regions, 2007.

# Financial statement

The financial statement covers the Region Västra Götaland Group. This includes administrative bodies, limited companies and associations of local authorities in Region Västra Götaland. By the administrations of Region Västra Götaland is meant the legal entity Västra Götaland County Council.

## Financial trends during the year

The budgeted surplus was set in November 2006 at SEK 208 m, since when it has been affected by the repayment by the departments of equity and budgeted surpluses. In addition, following a decision by the Regional Executive Board, the departments now have an opportunity to make use of their equity. The outcome of the budget was SEK 11 m.

The Group reported a surplus of SEK 989 m, which is 252 m up on the previous year and 978 m above budget. The departments recorded a surplus of SEK 124 m, while financial items accounted for the remainder of the surplus. The economic situation in Sweden, with increased employment, had a favourable effect on the surplus. Tax revenues were SEK 445 m above budget. The surplus was also increased by SEK 84 m through the following non-recurring items affecting comparability.

## Summary of results

Departments, SEK m	Outcome 2007
Health and medical care	149
Growth and development	- 2
Public transport	- 95
Service activities	- 9
Joint regional	105
Central financial items	841
Group adjustment	0
<b>Total</b>	<b>989</b>

## Items affecting comparability

	SEK m
Effect of RIPS 07	- 106
Liquidation of the purchasing organisation 4S	22
<b>Total</b>	<b>- 84</b>

- New rules for calculating pension liability (RIPS 07) with a changed discount rate and changed assumption of life expectancy brought an increased cost of SEK 106 m.
- Purchasing organisation 4S has been wound up and liquidated, bringing Region Västra Götaland SEK 22 m.

The level of investment in 2007 was the highest since the formation of the Region. Increases occurred especially in property investments. Of the total level of investment of SEK 1,802 m, property investments amounted to SEK 1,036 m.

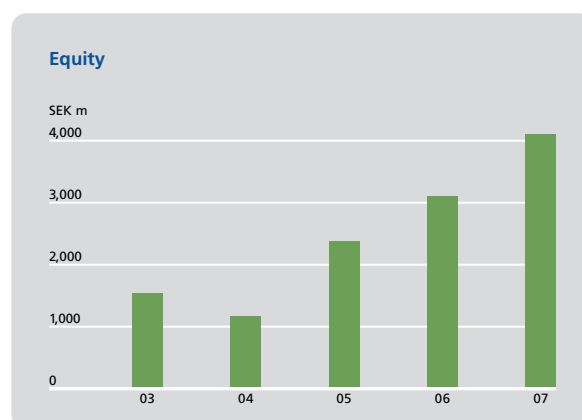
Net liquidity improved further during the year, amounting to SEK 4,478 m (3,222 m) at year end. The improvement is due mainly to the positive cash flow from current operations.

Despite large investments in 2006 and further investments in 2007 aimed at increasing availability, not all areas have managed to live up to the healthcare guarantee, although waiting times are now shorter and the availability of telephone advice has improved. In addition to the ceilings allocated by the Regional Council for health and medical care, an additional SEK 260 m was provided in the budget in order to fulfil in the long term the decision regarding the healthcare guarantee and the orthopaedic plan. Approval was also given to the ability to utilise SEK 124 m of equity in order to increase availability.

## Financial targets of the Regional Council

By the end of 2012 equity shall amount to SEK 3,700 m.

The surplus during the year brought the figure for equity to SEK 4,103 m, which means that this target has already been attained.



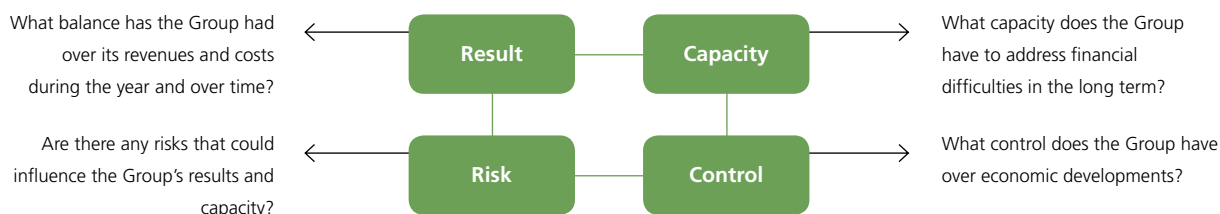
During the budget and plan period the Region shall finance the amount set by the Regional Council that can be borrowed for investments within the scope of depreciation and surpluses. The target is a long-term one, beginning in 2006, and is to be achieved during the plan period. Progress towards the target can thus be checked first in the annual report for 2008. For the years 2006 and 2007, the borrowing limit was fixed at SEK 2,691 m. The surplus for these two years, excluding the limited companies, extra pension provisions and

depreciation, is SEK 4,124 m, which means that the prospects of attaining the target are good.

**The Region shall maintain its current rating.** In the annual creditworthiness assessment in November 2007 the Region's term rating was improved one step from AA to AA+ for long-term loans, while its rating for short-term loans is A-1+ and K1, which is the highest credit rating.

## Financial analysis

With the aim of ascertaining the financial position and development of Region Västra Götaland, linked to the provision in the Local Government Act relating to good economic management, a financial analysis is carried out below according to what is known as the RC model. The analysis is based on the four aspects Results – Capacity and Risk – Control.



### RESULTS – CAPACITY

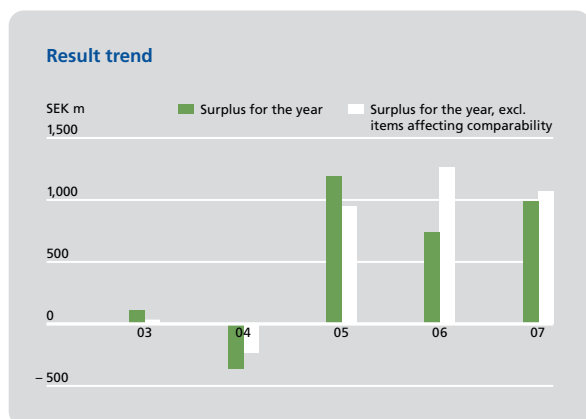
#### Results trend

The trend for the results of Region Västra Götaland has been positive over the last five years, during which time its equity increased by SEK 2,566 m. The trend in regard to revenues was favourable – the tax increase of 20 öre in 2005 increased tax revenues and the favourable economic situation contributed to an increase in the tax base nationally, also affecting Västra Götaland, and this generated increased revenues. In 2006 there

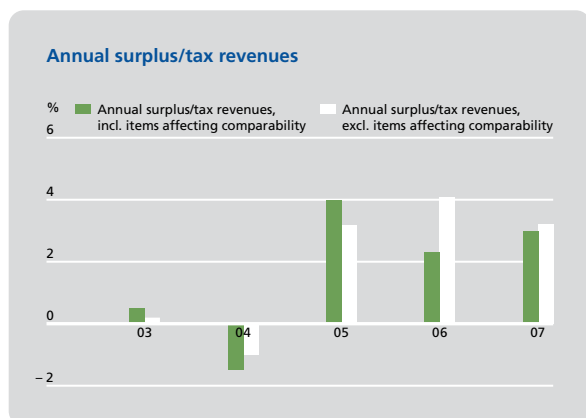
was a break in the trend for net costs, which had been kept at a low level in the initial years through cost control, since when net costs have continued to rise.

The surplus for the year amounted to SEK 989 m, which is 252 m up on the previous year. Excluding items affecting comparability of SEK –84 m, the surplus amounted to SEK 1,073 m. The corresponding surplus in the previous year was SEK 209 m higher. The surplus was due mainly to an underlying positive performance and increased tax revenues. Net costs continued

to rise in 2007, which affected the results of the departments, especially the large producing administrations. This was offset by the positive results achieved by the purchasing boards. The departments recorded a total surplus of SEK 124 m.



The key ratio annual surplus/tax revenues gives a picture of how much the Region needs to reduce its costs or increase its revenues in order to show good economic management. The trend points to a clear improvement in the middle of the five-year period, which is linked to the favourable trend in the economy described above. In 2007 this same key ratio decreased, excluding items affecting comparability, but otherwise increased.



### Balance requirement review

The surplus for the year meets the statutory balance requirement, which refers to the minimum level by which revenues should exceed expenses. According to the Local Government Act, the requirement applies to the legal entity Region Västra Götaland, which means that companies are excluded. The surplus for the year shall in the balance requirement review

exclude capital gains in the balance sheet. Region Västra Götaland has no previous deficits to cover.

### Balance requirement review

SEK m	2007
Surplus	984
Capital gains	10
<b>Adjusted surplus per balance requirement</b>	<b>974</b>

### Revenue and cost trends

The tables below illustrate the breakdown between revenues and expenses. Region Västra Götaland's main source of income is tax revenues, local authority equalisation and government grants. The largest individual cost items are personnel costs and costs of medicines. An analysis of significant revenue and expense areas is shown below.

### Revenues

	2007 SEK m	Per- centage	Change from previous year, SEK m
Tax revenues	26,576	65.3	1,423
Local authority equalisation	3,043	7.5	151
Government grants, pharmaceutical benefit	3,575	8.8	121
Government grants, reduced sickness absence	164	0.4	52
Hypothecated government grants	1,291	3.2	220
Patient income	1,205	3.0	51
Healthcare sold etc.	1,122	2.8	-8
Other operating income	3,508	8.6	53
Financial income	195	0.5	104
Revenues affecting comparability	22	0.1	-48
<b>Total</b>	<b>40,701</b>	<b>100.0</b>	<b>2,119</b>

### Expenses

	2007 SEK m	Per- centage	Change from previous year, SEK m
Personnel costs	21,052	53.0	1,183
Medicines	4,168	10.5	137
Bought-in healthcare	2,222	5.6	76
Premises costs	1,458	3.7	74
Materials, goods, expendable items	2,512	6.3	122
Other operating costs	6,921	17.4	633
Depreciation	1,044	2.6	53
Financial expenses	228	0.6	83
Costs affecting comparability	106	0.3	-495
<b>Total</b>	<b>39,711</b>	<b>100.0</b>	<b>1,866</b>

### Tax revenues and government grants

The trend for taxes and government grants has been very good during the last five-year period. In total, taxes and government grants from 2003 to 2007 increased by just over SEK 5,800 m or about 21 per cent. There are difficulties, however, in compar-



ing the trend over the years since there have been changes in the tax equalisation system and government grants. In 2004 the declining trend in the tax base was due, among other things, to the economic downturn, the final settlement of the local authority account system and the final adjustments to the effects of the reformed pension system on the tax base. For 2005 the Region increased taxes by 20 öre and a new local authority equalisation system was introduced. These two factors significantly affect comparability with previous years.

The Region's tax revenues and grants from the local authority equalisation system, targeted government grants for pharmaceutical benefits and government grants for reduced sickness absence amounted to SEK 33,358 m (SEK 31,611 m), which was 5.5 per cent up on 2006. The increase consisted of higher tax revenues and grants from the local authority equalisation amounting to approximately SEK 1,315 m and an interim and final settlement in 2006–2007 of just over SEK 250 m. The hypothecated government grants for pharmaceutical benefits and reduced sickness absence increased by a total of about SEK 170 m.

The tax revenues consisted of preliminary local government tax funds and deductions relating to the actual outcome for 2006 (final settlement) and according to the forecast for 2007 (interim settlement). In both years there was a substantial rise in the national tax base. The increase in 2006 was 4.3 per cent, which is 0.1 percentage points higher than the interim settlement made in the final accounts for 2006, improving the surplus for 2007 by SEK 31 m. The forecast for the tax base trend in 2007 was 5.8 per cent, which contributed SEK 479 m to the surplus. The tax base benefited from high employment and rising salaries. The increase in the number of hours worked gave a real boost to the tax base in 2007.

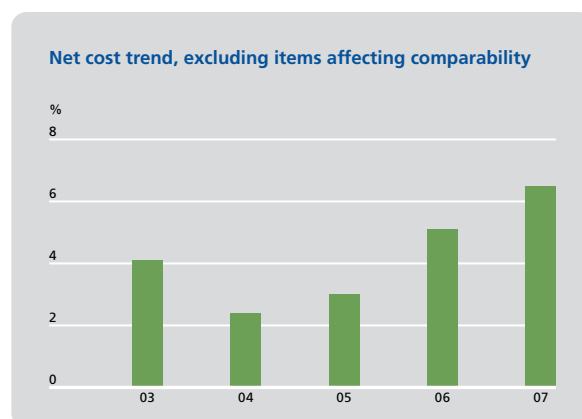
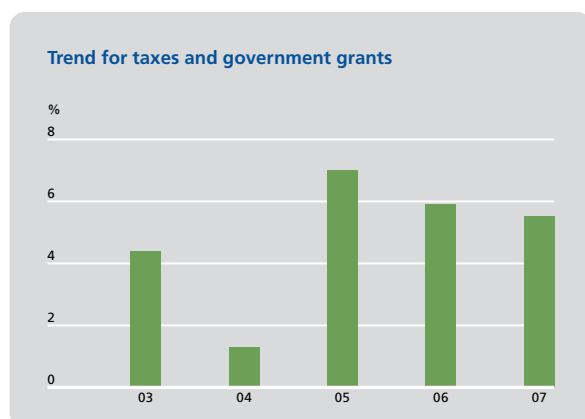
Region Västra Götaland's tax rate of 10.45 per cent has been unchanged since 2005, when there was an increase of 20 öre. The overall average local authority levy in Västra Götaland was 32.00 per cent, which is 0.45 higher than the total average tax rate nationally, which is 31.55 per cent. In Stockholm County the average tax rate for municipalities and county councils is 30.88 per cent and the corresponding figure for the county of Skåne is 30.69 per cent.

#### Net cost trend

The trend for net costs, excluding items affecting comparability, was low in the earlier part of the five-year period. In 2006 the trend was reversed to show increasing costs and the outcome in 2007 represented an even higher rate of increase than in 2006. The increase in 2007 was 6.5 per cent, excluding items affecting comparability.

Part of the increase in the departments' costs in 2007 is due to a decision to expand activities through the allocation of additional resources in the budget and to the fact that it was decided to allow equity to be utilised. On top of this, the departments' costs increased during the year and their overall surplus was about SEK 700 m down on 2006. The majority of the areas of operation (health and medical care, public transport etc.) reported poorer results due to a net cost trend which exceeded the resources approved.

The cost increase in 2007 represented a greater use of resources, equivalent to a volume increase in activities of 3.2 per cent, allowing for the 3.2 per cent index of the Swedish Association of Local Authorities and Regions for salary and price increases.

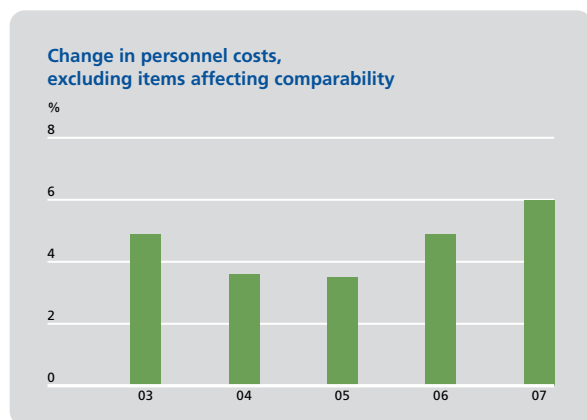


**Items affecting comparability 2003–2007**

	SEK m
2003	78
2004	– 131
2005	249
2006	– 531
2007	– 84

**Trend for personnel costs**

Excluding items affecting comparability, personnel costs rose by 6.0 per cent, of which departmental increases amount to 5.2 per cent and an increase in reported pensions to 13 per cent. Personnel costs in 2007 amounted to SEK 21,052 m, 1,183 m up on 2006. The services of recruitment and temporary staffing agencies were also employed at a cost of SEK 365 m. This is an increase of 50 per cent over the previous year, representing an increase in both volumes and prices. The bulk of the costs for these agencies relates to the area health and medical care, where the difficulty of recruiting specialist staff has been greatest.



Salary costs rose by SEK 688 m or 5.3 per cent compared with the previous year, including:

- salary review: 3.8 percentage points,
- volume change of 0.1 percentage points,
- change on top of salary review of 0.5 percentage points,
- compensation for inconvenient working hours, overtime, and on-call and standby allowances etc.: 0.1 percentage points,
- salary outside working hours: 0.8 percentage points. This includes sick pay, holiday pay and training.

The salary review included the additional funding for special salary measures of SEK 50 m, which related to prioritised occupational groups. The increase for salary outside working hours arose from an increase in short-term sickness absence, resulting in higher costs for the employer. Long-term sickness absence fell and did not affect the employer's direct cost to the same extent.

**Costs for medicines**

The Region's costs for medicines in 2007 amounted to SEK 4,168 m, which is 3.4 per cent up on 2006. Of this, costs for ordered drugs accounted for 23.4 per cent. During the year the rate of increase in the cost of prescription drugs started to gather momentum, although the increased costs for ordered medicines is still high.

The Region's cost increase was 1.5 percentage points lower than the increase nationally. This difference is explained by both a price and a volume component. Factors which reduced the costs are active drug-related work in the administrations with decentralised cost responsibility, while factors which increased the costs are primarily the introduction of new drugs, greater use of expensive specialist drugs and more prescribing as measured by the number of daily doses (the latter due to the population increase). Another reason is that expired patents and generic substitution have become increasingly less important.

**Financial income and expenses**

Financial income amounted to SEK 195 m and consisted of investments in interest-bearing securities (mainly bonds and certificates) as well as income from derivatives and bank balances. The increased income was due to higher market interest rates during the year and a substantial rise in the Region's net liquidity.

Financial expenses amounted to SEK 72 m and consisted of interest on the overdraft facility and costs for credit agreements as well as a decrease in the value of bonds and interest expense on derivatives. Liquidity rose by SEK 1,256 m. Most of it was invested in interest-bearing securities with a short maturity, which created a demand for a higher volume of interest swaps



in order to fulfil the requirement of the financial policy, which specifies an average fixed-interest term of 12–30 months.

During the year the interest expense for derivatives rose since there was an increase in the Region's volume of derivatives. The Region makes use of the interest swap derivative instrument in order to extend the fixed-interest term for investments without tying up capital in the longer term. The interest swaps generated an increase in both the financial expense and the financial income. In 2007 the Region's total revenues from the interest swaps was SEK 2 m higher than the costs.

The cost of indexing the pension liability amounted to SEK 156 m in 2007. This amount includes SEK 22 m, which is the cost of indexing the special provision made in 2006 which related to pensions earned before 1998.

### Net cost ratio

The net cost ratio shows what proportion of net operating expenses, including pensions, depreciation and net financial items, is financed by the reported tax revenues and government grants. A net cost ratio of less than 100 per cent implies a positive balance between current costs and revenues, creating scope for financing investments. In 2007 the net cost ratio was 96.7 per cent, excluding items affecting comparability, which is 0.8 percentage points down on 2006. The net cost ratio improved in 2005 and 2006, compared with the years before. In 2007 there was slight decrease, although the net costs are still covered by tax revenues and government grants. Nevertheless, the scope for financing investment has decreased.

### Net cost ratio

Per cent	2003	2004	2005	2006	2007
Departments/tax revenues and government grants	89.0	89.1	87.4	84.6	86.6
Pensions/tax revenues and government grants	6.0	7.1	5.9	8.1	6.9
Depreciation/tax revenues and government grants	4.1	4.1	3.3	3.1	3.1
Net financial items/tax revenues and government grants	0.7	0.6	0.3	0.1	0.1
<b>Net cost ratio, excluding items affecting comparability</b>	<b>99.8</b>	<b>100.9</b>	<b>96.9</b>	<b>95.9</b>	<b>96.7</b>
Items affecting comparability	-0.3	0.5	-0.8	1.7	0.3
<b>Net cost ratio, including items affecting comparability</b>	<b>99.5</b>	<b>101.4</b>	<b>96.1</b>	<b>97.6</b>	<b>97.0</b>

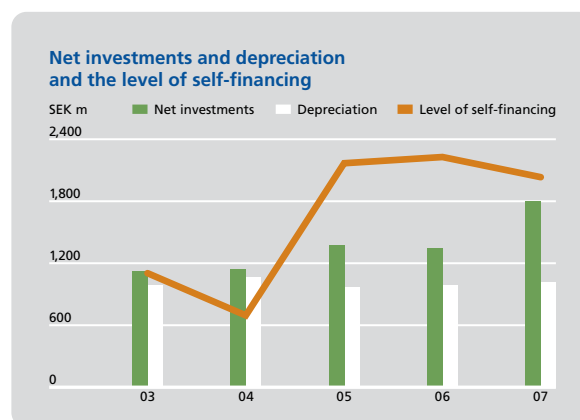
### Investments

Investments totalled SEK 1,802 m (1,343 m), of which 1,036 m was invested in property and 766 m in equipment. This is higher than budgeted and much higher than in previous years. The increase is due mainly to the property investments and the fact that certain major approved strategic projects are now under way. The major projects are the new healthcare buildings at Sahlgrenska University Hospital (SU) and Södra Älvsborg Hospital in Borås, structural alterations to the hospitals in Lidköping and Mariestad and continued refurbishment of the low-rise buildings at SU.

The self-financing level is a measure of how much of the investments are financed by the tax revenues remaining when current operations have been paid for. In 2005–2007 it was high, which is due to the relatively good operating results reported.

Investigations and assessments have been carried out, which show that there is a pent-up need for reinvestment within the Region, which is also indicated by comparisons between levels

of depreciation and investment. The need for reinvestment applies to both property and medical equipment. Investment levels in previous years have not adequately enabled this need for reinvestment to be satisfied.

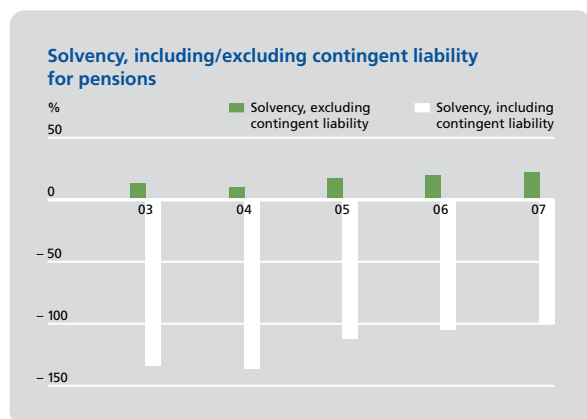


### Solvency

Solvency is a measure of an organisation's long-term financial freedom of action. It shows what proportion of the assets is financed with equity. The higher the solvency, the greater is the organisation's long-term ability to take financial action. The definition of solvency is equity in relation to total assets expressed as a percentage.

During the last five-year period there has been an increase of five percentage points in solvency, due to the positive results and the fact that a larger proportion of the assets has been financed with equity. The surplus for the year of SEK 989 m represents a strengthening of equity. Solvency increased to 22 per cent, which means that our long-term ability to act has improved somewhat.

Solvency including contingent liabilities for pensions is negative at -100 per cent, an improvement of five percentage points over the previous year. Our solvency has been strengthened despite the fact that contingent liabilities increased by SEK 3,116 m or 16 per cent. In the previous year the corresponding increase was approximately 6 per cent. The average value of solvency, including contingent liabilities for the county councils nationally, was -75 per cent in 2006. (Source: Kfi, financial profile).



### RISK – CONTROL

#### Financial strategy

In October the Regional Council approved a new financial strategy for Region Västra Götaland, which covers the management of its liquidity, the administration of pension capital and investment management for foundations linked to the Region. The major change is that it will be possible to invest the Region's capital in a greater variety of assets than before. This means, among other things, that some of the Region's liquidity can now

be invested in shares. The investments made up until now have been in interest-bearing securities.

### Pension commitments and administered pension capital

#### Pension commitments

Total pension commitments rose from SEK 20,613 m in 2003 to SEK 28,067 m in 2007. The rate of increase was higher in 2006 and 2007 than in previous years, which is explained mainly by the new rules for calculating pension liability. A changed discount rate and a new assumption about life expectancy increased the level of both the pension provisions and the contingent liability. The new pension agreement (KAP-KI) also affected the pension commitments in 2006 and 2007.



The Region's total pension commitments, including special payroll tax, amounted to SEK 28,067 m. The pension contributions went up as a result of an increase from 3.5 to 4.0 per cent. The provisions increased both as a result of new entitlement to defined-benefit old age pension and as a result of the indexing of previous years' pension provisions. Effects of a changed assumption regarding life expectancy when calculating pension liability has also increased the provisions. In 2007 the contingent liability increased mainly as a result of the new rules for calculating pension liability (RIPS 07). A changed discount rate has been most significant, although a change in the assumption regarding life expectancy also contributed to the increase.

The pension provisions mainly relate to defined-benefit old-age pensions. In 2007 the entitlement amounted to SEK 767 m, including payroll tax and financial costs, and is estimated to increase by just over 20 per cent up until 2011. At the same time pension contributions are increasing by about 30 per cent and the payments from the contingent liability by more than 40 per cent.



## Pension commitments

	2007, SEK m	2006, SEK m	Change
Pension contributions (invested by employees)	711	562	149
Defined-contribution pension/individual part 1998–1999	26	26	0
Pension provisions	4,972	4,076	896
Contingent liability, earlier pension agreements	22,358	19,242	3,116
<b>Total pension commitments, including payroll tax</b>	<b>28,067</b>	<b>23,906</b>	<b>4,161</b>
Financial investments relating to pension capital, book value	988	0	988
Financial investments relating to pension capital, market value	992	0	992
Reborrowed funds	27,079	23,906	3,173

### Administration of pension capital

In 2007 it was decided that funds should be made available from liquidity management for pension capital administration. The intention behind this is to administer the capital so as to be able to meet the increase in costs from the contingent liability during the period when they put a special load on our finances.

The long-term target is for the investments to produce a return of 5 per cent in real terms. At the same time they will be made in such a way that payments can be made during the period to which the separation relates.

In October SEK 980 m was separated and this capital was invested in interest-bearing securities and liquid funds. The annualised return amounts to 4.3 per cent. This financial strategy permits investments in other kinds of assets such as shares, which is necessary in order to achieve the target for the return. Investments in other kinds of assets will be made when market assessments favour such investments.

### Financial investment of pension funds

Total pension capital consists of:	SEK m
Decision to make available pension capital	980
Realised return	8
<b>Total</b>	<b>988</b>
Of which, interest-bearing securities	978
Of which, liquid funds	10

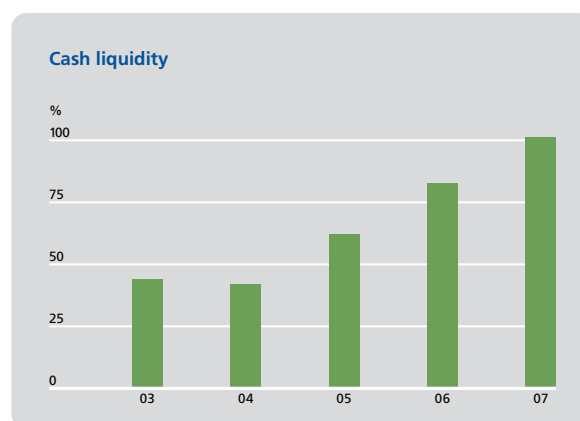
### Liquidity trend

#### Cash liquidity

The term cash liquidity defines the Region's current assets, excluding stocks, in relation to current liabilities. In the period 2003–2007 cash liquidity improved by 67 percentage points. Compared with the previous year, cash liquidity improved by 18 percentage points, amounting to 101 per cent. This is a level that, together with the Region's high level of creditworthiness

and advance commitments, can be regarded as very good.

Furthermore, about 25 per cent of the short-term liabilities are personal debts which will not be renewed to any great extent in the next year.



### Net liquidity

Net liquidity is the interest-bearing portion of the assets and liabilities as shown in the balance sheet. It is made up of Västra Götaland's lending, liquid funds and investments, minus its borrowings (both short- and long-term). The Region has gone from being a net borrower to being a net investor. At the end of 2007 it had net liquidity of SEK 4,478 m, which is an increase of SEK 1,256 m over the SEK 3,222 m at the end of the previous year. Of the total capital, about SEK 2,800 m has been invested in certificates and SEK 1,300 m in bonds. These interest-bearing securities have a combined fixed-term period of just over 12 months.

The improvement in liquidity is due mainly to the surplus in 2007.



## Budget discipline and reliability of forecasts

### *Budget discipline*

The surplus for the year amounts to SEK 989 m, which is better than the budgeted 978 m. Part of the explanation for the difference is that there is an underlying surplus from the previous year. Certain items in the budget which gave rise to a surplus in the previous year continue to do so. In addition, an increase in the number of those in employment and a greater number of hours worked have contributed to a rise in tax revenues. Unlike the previous year, several departments have not been able to keep to their budget. Deficits have been reported by all the hospitals, apart from Kungälv Hospital. The health and medical care boards and primary care, on the other hand, report results above budget. For the first time Västtrafik has reported a deficit. Within the Region overall, the Regional Executive Board reports the largest amount above the budget.

### *Reliability of forecasts*

During the year the forecast remained firm at SEK 900 m until October, when the final forecast was made, with a change to SEK 1,100 m. The trend in recent years has been for results to be somewhat better than indicated by the departments in their October forecasts. The surplus came to SEK 989 m.

## Budget discipline and reliability of forecasts

SEK m	Revised budget	Forecast October	Surplus for the year
Health and medical care	- 157	53	149
Growth and development	- 27	- 7	- 2
Public transport	0	- 107	- 95
Service departments	13	16	- 9
Joint regional	- 28	79	105
Central financial items	208	958	841
Group adjustment	0	108	0
<b>Total</b>	<b>11</b>	<b>1,100</b>	<b>989</b>

## Comments – future prospects

In the last few years Region Västra Götaland has enjoyed an excellent trend in regard to its results, and the surplus for 2007 is also in line with those of previous years. The main reason for the surplus is that the favourable economic situation, combined with higher numbers in employment, has meant increased tax revenues for the Region. The level of investment is the highest since the Region was established, which has made it possible to satisfy a major investment need. This is encouraging as there is a pent-up need for reinvestment.

The trend for liquidity during the period has been strong. Liquidity has improved year on year in the past five years. In order to manage it in the best way, a financial strategy has been developed and approved by the Regional Council.

The challenge for the future is a declining economic situation. The Swedish economy is expected to grow more slowly in the next few years, which means that the tax base and tax revenues will not increase at the same rate. At the same time the rate of increase for costs has been high in the last two years, necessitating active work in the future in order to adjust the costs to a lower increase in the tax revenues. The pent-up need for reinvestment also creates demands in terms of resources.

In order to meet the future, a balance is needed between revenues and costs as well as active work on restructuring and improving operations. Unlike previous years, several departments have been unable to keep to the limits laid down. In order to continue having good economic management, established economic rules of play need to be followed.



## Appropriations

### Conditions

On 23 February 2004 the Regional Council approved principles underlying appropriations and rules governing the utilisation of equity. These provide, among other things, that an assessment of the size of the positive or negative equity that a department can spend or repay, as the case may be, should take place annually when the result for the financial year is known. The assessment is based, among other things, on information in the annual departmental accounts and information from year-end audits. The Regional Council's budget and plan for 2008–2010 specified a target for limiting the equity available for use by the departments: "Equity should not exceed 2 per cent of the regional grant or equivalent". The Regional Development Board has recommended in connection with the treatment of the annual accounts that the equity of SEK 93.7 m be carried forward to 2008. The Environmental Board has recommended in its annual accounts that the equity of SEK 17.2 m be carried forward to 2008 for the purpose of measures in the area of "Smart energy".

### Proposals – departments with positive equity

The following proposed appropriations are based on the target laid down by the Regional Council for the majority of the Region's departments. In total, the equity of the departments is reduced by approximately SEK 470 m. The following exceptions have been made:

- Account has been taken of the approved utilisation of equity for 2008.
- In the case of the Regional Development Board, account has been taken of an amount of SEK 60 m for investments in infrastructure where the Board took a decision.
- In the case of hospitals whose equity exceeds two per cent, no reduction is made.
- In the case of folk high schools, the Public Health Committee, the Auditors' Office and the patients' committee's operation, it is proposed that departments with positive equity should retain SEK 1 m of the capital, even if this exceeds 2 per cent.
- The Property Management Committee's equity has been adjusted to a reasonable level, taking account of the conditions

and a reserve for possible emergency measures for property maintenance. This arrangement formed part of a previous owner directive.

- No reduction in equity for the administration of cultural development should take place. Under a transitional agreement with the Musik i Väst Foundation, the latter's equity should be used for "activities carried out within the scope of Musik i Väst".
- In the case of the Regional Council and Regional Executive Board, no reduction in equity is proposed.

### Proposals – departments with negative equity

The following departments had negative equity at the end of 2007 (SEK m):

Sahlgrenska University Hospital	141.0
NU-sjukvården (hospital network)	24.2
Gothenburg Folk High School	0.3
Gothenburg Botanical Garden	0.4

Regarding healthcare operations, it can be said that developments in recent years have meant a higher degree of consolidation of the finances of the health and medical care boards than for the provider boards as a whole. The positive equity of the boards is approximately SEK 1,000 m before the approved utilisation of equity for 2008. Following the above reduction, the combined equity of the boards amounts to just over SEK 660 m.

The corresponding negative equity for the hospitals combined amounts overall to SEK –50 m (including about –165 m for Sahlgrenska University Hospital and NU-sjukvården). In order to equalise the financial circumstances, depreciation is proposed of the negative equity of Sahlgrenska University Hospital and NU-sjukvården.

In the case of other departments with negative equity (Gothenburg Folk High School and Gothenburg Botanical Garden), it is proposed that the negative equity should be written off.

The above proposal entails the following proposed appropriations:

## Appropriations &gt;&gt; continued

	Equity 31 Dec 2007	Appropriations	Equity 1 Jan 2008
<b>HEALTH AND MEDICAL CARE BOARDS (HSN)</b>			
<b>Representatives</b>			
HSN 1 Norra Bohuslän	56.3	- 24.8	31.5
HSN 2 Dalsland	41.5	- 21.8	19.7
HSN 3 Trestad	58.5	- 2.9	55.6
HSN 4 Central Bohuslän, incl. Ale	90.2	- 39.6	50.6
HSN 5 Gothenburg Centre/West	224.4	- 109.4	115.0
HSN 6 Mittenålsborg	49.6	- 19.1	30.5
HSN 8 Sjuhäradsbygden	102.0	- 15.4	86.6
HSN 9 Västra Skaraborg	87.9	- 42.2	45.7
HSN 10 Östra Skaraborg	74.9	- 27.8	47.1
HSN 12 Gothenburg Northeast	125.9	- 48.8	77.1
<b>Total representatives</b>		<b>- 351.8</b>	
<b>Providers</b>			
Sahlgrenska University Hospital	- 141.0	141.0	0.0
NU-sjukvården (hospital network)	- 24.2	24.2	0.0
PC Skaraborg	107.4	- 83.8	23.6
PC Södra Älvsborg	52.5	- 28.9	23.6
PC Södra Bohuslän	19.8	- 5.4	14.4
PC FyrBoDal	40.9	- 20.0	20.9
Dental health service Västra Götaland	41.7	- 7.5	34.2
<b>Total providers</b>		<b>19.6</b>	
<b>TOTAL HEALTH AND MEDICAL CARE</b>		<b>- 332.2</b>	
<b>GROWTH AND DEVELOPMENT</b>			
<b>Representatives</b>			
Regional Development Board	93.7	- 23.9	69.8
Environmental Board	17.2	- 16.1	1.1
<b>Total representatives</b>		<b>- 40.0</b>	
<b>Providers</b>			
Upper secondary school board	23.3	- 18.0	5.3
Gothenburg Folk High School	- 0.3	0.3	0.0
Grebbestad Folk High School	1.1	- 0.1	1.0
Billströmska Folk High School	4.5	- 0.7	3.8
Fristad Folk High School	2.2	- 1.2	1.0
Dalsland Folk High School	1.8	- 0.8	1.0
Gothenburg Botanical Garden	- 0.4	0.4	0.0
<b>Total providers</b>		<b>- 20.1</b>	
<b>TOTAL GROWTH AND DEVELOPMENT</b>		<b>- 60.1</b>	
<b>Service departments</b>			
Property Management Committee	181.9	- 53.9	128.0
<b>Joint regional</b>			
Public Health Committee	4.8	- 3.8	1.0
Auditors' Office	15.7	- 14.7	1.0
Patient Committee	5.8	- 4.8	1.0
<b>Total joint regional</b>		<b>- 23.3</b>	
<b>Central financial items</b>			
Parent administration	1,909.1	469.5	2,378.6
<b>TOTAL GROUP</b>		<b>0.0</b>	



## Description of investments

Item, amounts in SEK m	The project's budgeted expenditure	Accumulated outcome up to 2007	Budget 2007	Outcome 2007
<b>PROPERTIES</b>				
<b>Sahlgrenska University Hospital</b>				
Sahlgrenska, new treatment building	505	326	170	235
Sahlgrenska, MRI cameras	16	16	6	13
Sahlgrenska, low-rise building stage 2	188	117	80	81
Sahlgrenska, imaging centre	20	19	8	17
<b>Södra Älvsborg Hospital</b>				
Borås, new treatment building	430	116	63	100
<b>Skaraborg Hospital</b>				
Hospital in Mariestad, paediatric medicine centre	43	40	38	30
Hospital in Lidköping	264	84	79	59
<b>Alingsås Hospital</b>				
State 3, rebuilding of emergency department and ambulance hall	24	22	3	8
<b>Primary care</b>				
Hospitals in Mariestad, Eken, Linden	27	19	15	17
<b>Other departmental property projects</b>			312	476
<b>Total property investments</b>			<b>774</b>	<b>1,036</b>
<b>EQUIPMENT</b>				
<b>Sahlgrenska University Hospital</b>				
Radiological equipment				24
MRI equipment				18
Dialysis equipment				10
Operating theatre equipment				10
Monitoring equipment				23
PET-CT camera				8
Radiotherapy equipment				21
Ultrasound equipment				8
PCI lab				7
<b>NU-sjukvården (hospital network)</b>				
CT X-ray clinic Uddevalla				4
CT X-ray clinic NÄL				4
MRI equipment				8
Pulmonary/skeletal lab X-ray clinic Dalsland				4
<b>Södra Älvsborg Hospital</b>				
CT				11
All-round tripod skeletal lab				6
Gamma camera				4
Monitoring equipment				4
<b>Skaraborg Hospital</b>				
MRI and CT equipment				11
<b>Kungälv Hospital</b>				
Accident & emergency				4
Monitoring equipment				3
<b>Alingsås Hospital</b>				
MRI camera				7
<b>Frölunda Specialist Hospital</b>				
CT				6
<b>Regional serve</b>				
Computer equipment VGR-IT				90
Accessories				49
<b>Västtrafik AB</b>				
Trains etc.				48
<b>Other equipment investments</b>				374
<b>Total equipment investments</b>			<b>806</b>	<b>766</b>
<b>INVESTMENT TOTAL</b>			<b>1,580</b>	<b>1,802</b>

## Income Statement

SEK m	Note	Group		Administrations	
		2007	2006	2007	2006
Operating revenues	1, 3	7,148	6,880	5,009	4,773
Operating expenses	2, 3, 4	- 38,439	- 36,723	- 36,348	- 34,469
Depreciation and write-downs	5	- 1,044	- 991	- 998	- 940
<b>Result 1 Net operating expenses</b>		<b>- 32,336</b>	<b>- 30,834</b>	<b>- 32,338</b>	<b>- 30,636</b>
Tax revenues	6	26,576	25,153	26,576	25,153
Local authority equalisation and government grants	7	6,782	6,458	6,782	6,458
Financial income	8	195	91	197	86
Indexing of pension liability		- 156	- 91	- 156	- 91
Financial expenses	9	- 72	- 40	- 77	- 268
<b>Result 2 Surplus after financial items</b>		<b>989</b>	<b>737</b>	<b>984</b>	<b>702</b>
Extraordinary income		0	0	0	0
Extraordinary expenses		0	0	0	0
<b>Result 3 Surplus for the year</b>		<b>989</b>	<b>737</b>	<b>984</b>	<b>702</b>

## Cash Flow Statement

SEK m	Note	Group		Administrations	
		2007	2006	2007	2006
<b>Current operations</b>					
Surplus for the year		989	737	984	702
Depreciation and write-downs	5	1,044	991	998	940
Capital gains/losses on disposal of fixed assets	10	- 14	- 6	- 6	- 5
Provisions	21, 22	1,010	1,411	1,009	1,404
<b>Cash flow from current operations before change in working capital</b>		<b>3,029</b>	<b>3,133</b>	<b>2,986</b>	<b>3,041</b>
<b>Change in working capital</b>					
Increase (-)/decrease (+) in stocks		- 13	6	- 12	4
Increase (-)/decrease (+) in current receivables	18	- 774	133	- 717	- 179
Increase (+)/decrease (-) in current liabilities	24	762	- 824	755	- 384
Other items affecting working capital	11	8	4	5	2
<b>Cash flow from current operations activities</b>		<b>- 17</b>	<b>- 681</b>	<b>32</b>	<b>- 557</b>
<b>Investing activities</b>					
Investments		- 1,802	- 1,343	- 1,726	- 1,254
Sale of fixed assets	12	42	9	16	8
Shares and participating interests		- 20	- 2	- 17	- 2
<b>Cash flow from investing activities</b>		<b>- 1,780</b>	<b>- 1,336</b>	<b>- 1,727</b>	<b>- 1,248</b>
<b>Financing activities</b>					
Increase (-) in long-term receivables	17	- 85	- 11	- 192	0
Decrease (+) in long-term receivables	17	0	0	0	0
Increase (+) in long-term liabilities	23	62	26	57	26
Decrease (-) in long-term liabilities	23	0	0	0	0
<b>Cash flow from financing activities</b>		<b>- 23</b>	<b>15</b>	<b>- 135</b>	<b>26</b>
<b>CASH FLOW FOR THE YEAR</b>		<b>1,209</b>	<b>1,131</b>	<b>1,155</b>	<b>1,262</b>
Liquid funds at start of year		3,105	1,973	3,015	1,754
Liquid funds at year end		4,314	3,105	4,170	3,015



## Balance Sheet

SEK m	Note	Group		Administrations	
		2007	2006	2007	2006
<b>ASSETS</b>					
<b>Fixed assets</b>					
Intangible assets	13	1	4	0	3
Tangible assets					
Land and buildings	14	5,946	5,907	5,827	5,807
Machinery and equipment	15	2,620	2,550	2,290	2,210
Investments in progress	16	1,186	561	1,127	505
Financial assets	17	292	188	712	504
<b>Total fixed assets</b>		<b>10,046</b>	<b>9,210</b>	<b>9,957</b>	<b>9,029</b>
<b>Current assets</b>					
Stores		334	321	332	320
Current receivables	18	3,557	2,783	3,417	2,700
Short-term investments	19	4,146	2,999	4,134	2,988
Cash and bank balances		168	105	36	27
<b>Total current assets</b>		<b>8,205</b>	<b>6,209</b>	<b>7,919</b>	<b>6,036</b>
<b>TOTAL ASSETS</b>		<b>18,251</b>	<b>15,419</b>	<b>17,876</b>	<b>15,065</b>
<b>EQUITY, PROVISIONS AND LIABILITIES</b>					
<b>Equity</b>					
Non-restricted equity	20	55	52	0	0
Restricted equity		3,059	2,317	3,051	2,344
Surplus for the year		989	737	984	702
<b>Total equity</b>		<b>4,103</b>	<b>3,106</b>	<b>4,035</b>	<b>3,046</b>
<b>Provisions</b>					
Pension provisions	21	4,998	4,102	4,998	4,102
Other provisions	22	1,231	1,116	1,215	1,102
<b>Total provisions</b>		<b>6,229</b>	<b>5,219</b>	<b>6,214</b>	<b>5,204</b>
<b>Liabilities</b>					
Long-term liabilities	23	95	33	89	32
Current liabilities	24	7,824	7,062	7,538	6,783
<b>Total liabilities</b>		<b>7,919</b>	<b>7,095</b>	<b>7,627</b>	<b>6,815</b>
<b>TOTAL EQUITY, PROVISIONS AND LIABILITIES</b>		<b>18,251</b>	<b>15,419</b>	<b>17,876</b>	<b>15,065</b>
<b>Assets pledged</b>		<b>None</b>	<b>None</b>	<b>None</b>	<b>None</b>
<b>Contingent liabilities (incl. guarantees)</b>	25	<b>23,314</b>	<b>19,420</b>	<b>23,311</b>	<b>19,413</b>

## Accounting principles

Financial reporting by municipalities and county councils is regulated by the Local Government Act and the Local Government Accounting Act. In addition, the Council for Local Government Accounting (RKR) issues instructions and recommendations for financial reporting in the municipal and county council sector.

Region Västra Götaland follows these laws and recommendations. In 2007 departures took place from the regulations in relation to intangible fixed assets, leasing and borrowing costs, the reasons for these departures being shown under the relevant headings.

The accounts of companies have been prepared in accordance with the Annual Accounts Act and the general guidance of the Swedish Accounting Standards Board, taking account of the recommendations and statements of the Swedish Financial Accounting Standards Council.

### Consolidated accounts

#### General

In accordance with the provisions of the Local Government Accounting Act, the annual accounts must also include operations that take place in corporate form. The purpose of the consolidated accounts is to give a true and comprehensive picture of Region Västra Götaland's overall financial position and results, irrespective of whether the operations are carried out in the form of an administration or a company.

#### Definition of the Group

The consolidated accounts include Region Västra Götaland and other legal entities in which Region Västra Götaland has a significant influence. The term significant influence means owning at least 20 per cent of the votes and circumstances where net sales and/or assets are significant in relation to Region Västra Götaland's income statement or balance sheet or provide additional important information. The consolidated accounts for Region Västra Götaland include the following wholly-owned or part-owned companies and associations of local authorities.

Consolidated units	Per cent
GöteborgsOperan AB	100
Göteborgs Symfoniker AB	100
Film i Väst AB	100
Västsvenska Turistrådet AB	100
Sahlgrenska International Care AB	100
Regionteater Väst AB	91
Västrafik AB	50
Kommunalförbundet Stretered	43
Almi Företagspartner Väst AB	37

Foundations and coordination associations are not included in the consolidated accounts.

### Consolidation principles

The consolidated accounts have been prepared in accordance with the acquisition accounting method and the proportional consolidation method. The book value of shares held by the Region in subsidiaries has been eliminated against the shareholders' equity of the subsidiaries. Assets and liabilities as well as revenues and costs for the subsidiaries are stated in the consolidated accounts to the extent that corresponds to the proportion of their shares held by the Region. Internal balances have subsequently been eliminated.

### Fixed assets

Fixed assets are stated at their acquisition value less deductions for any investment grants and accumulated depreciation. In order to be classed as a fixed asset, the item must have a book value of more than half the basic amount and a useful life of at least three years. In the case of investment in buildings and major plant, the acquisition value includes interest expense incurred during the period of building and installation. The estimated useful life (generally equal to the economic life) provides the basis for assessing the period of depreciation. Planned depreciation runs from the moment when the asset is put into service. The normal depreciation periods are as follows:

Intangible fixed assets	3–5 years
Machinery and equipment	3–10 years
Buildings	10–30 years

Where the book value was too high, a write-down has been applied. See also note 5.

### Pensions

According to the Local Government Accounting Act (ch.5, s.4), pension liabilities are to be reported according to the mixed model, whereby pensions earned before 1998 are not shown as a liability or provision, but are reported as a contingent liability.

Payments relating to pension benefits earned before 1998 are shown as a cost in the income statement. Pension benefits earned from 1998 onwards are shown as a provision in the balance sheet and the annual change in the pension provision is reported among operating expenses in the income statement. The pension contribution invested by the employees is shown as a current liability in the balance sheet and is paid out to the pension administrators in March in the year after it is earned. In line with prevailing recommendations, special payroll tax



is reported as a pension cost. The calculation made by the pension company KPA is the basis for calculating the pension provision. The provision in the balance sheet and the contingent liability are internally funded (reborrowed), and of the total pension provision, SEK 980 m has been allocated for external funding. The balance is indexed through a basic amount calculation and an actuarial discount rate using the guidelines adopted by the Swedish Association of Local Authorities and Regions (SALAR), "Guidelines for calculating pension liability" (RIPS 07). The latter contain revised actuarial assumptions about life expectancy, and the effects of the changes are set out in note 3. In 2006 the Region decided to make an additional pension provision of SEK 500 m in order to be able to meet future pension disbursements, which meant that it deviated in part from the mixed model. The aim was to mitigate any costs that arise when the disbursements of pensions arising from the contingent liability are at their highest.

Region Västra Götaland's companies report pension benefits as ongoing costs through premium payments to insurance companies.

#### **Intangible fixed assets**

The administrations in Region Västra Götaland adopt a fairly restrictive approach than recommendation 12.1 of the RKR with regard to intangible assets. This more restrictive attitude requires that these outlays are charged as expenses during the current year and are thus not taken to the balance sheet.

#### **Leasing**

According to recommendation 13.1 of the RKR, finance leases (of fixed assets) should be reported as a fixed asset and the liabilities to the lessor shown in the balance sheet. Region Västra Götaland has chosen to depart from this recommendation, since the residual value of finance leases is not considered to represent a significant item in the balance sheet (see note 15). Leases taken out before 1 January 2003 may continue to be classed as operating leases under this recommendation, and this has in fact been done. All leasing payments for both finance and operating leases have been charged to the income statement as leasing payments (see note 2), where future leasing payments are also reported. Property rentals (external rentals and lettings) have not been entered as leasing.

#### **Borrowing costs**

Region Västra Götaland has no bank borrowing costs. The administrations at Region Västra Götaland are able to capitalise credit interest. According to RKR recommendation 15.1, it is possible to calculate credit interest only in the case of county

councils that have external loans. Region Västra Götaland has, nevertheless, chosen to allow credit interest on investments on the grounds that the administration has borrowing costs in relation to the Group bank to enable it to carry out its investments. Although this does not represent borrowing costs for Region Västra Götaland in relation to a bank, it is an indirect cost as the money is tied up in investments instead of being invested in the market.

The rate of interest used when calculating the credit interest is 3.0 per cent. The total borrowing costs included in the acquisition value of the assets in 2007 are reported in note 8.

#### **Contributions to infrastructural investments**

Contributions to investments in fixed assets which Region Västra Götaland will not own or have at its disposal have been shown as costs in the income statement, in accordance with the recommendation from the Council for Local Government Accounting. Contributions to infrastructural investments are reported in note 2.

#### **Stocks**

Stocks have been valued according to the principle of lowest value, i.e. the lower of acquisition value and fair value. The value of materials has been estimated in cases where it has not been possible to carry out a physical inventory.

#### **Tax revenues**

The RKR changed its recommendation for accounting for tax revenues in November 2007. According to recommendation 4.2, the forecast made by the Swedish Association of Local Authorities and Regions shall form the basis of the calculation of the final settlement of municipal tax, applicable from the current year. Region Västra Götaland is following the recommendation.

#### **Amounts owed to staff**

The money owed by Region Västra Götaland to its staff, i.e. holiday pay, overtime, on-call and standby allowances, together with accrued employer's declaration, has been shown in the salary situation as at 31 December 2007 under current liabilities.

# Notes

## Note 1 Operating revenues

SEK m	Group		Administrations	
	2007	2006	2007	2006
Patient fees etc.	1,205	1,154	1,205	1,154
Healthcare sold etc.	1,122	1,130	1,133	1,145
Sales of other services and materials	972	968	979	973
Rental income	130	133	129	132
Hypothecated government grants	1,291	1,071	1,113	893
Other grants	595	606	77	109
Other income	1,832	1,818	372	366
<b>Total</b>	<b>7,148</b>	<b>6,880</b>	<b>5,009</b>	<b>4,773</b>

## Note 2 Operating expenses

SEK m	Group		Administrations	
	2007	2006	2007	2006
Personnel costs	21,158	20,470	20,643	19,971
Bought-in healthcare	2,222	2,146	2,222	2,146
Medications	4,168	4,031	4,168	4,031
Contributions made <sup>1)</sup>	933	867	1,358	1,766
Premises costs <sup>2)</sup>	1,458	1,384	1,415	1,338
Training, culture and operationally related services	879	793	879	793
Materials and goods	2,512	2,390	2,505	2,382
Staffing agencies	373	243	365	243
Transport mobility services	60	63	243	233
Premiums and change in provision for LÖF <sup>3)</sup>	136	154	136	154
Other costs <sup>4)</sup>	4,542	4,180	2,416	1,413
<b>Total</b>	<b>38,439</b>	<b>36,723</b>	<b>36,348</b>	<b>34,469</b>

1) Of which, infrastructure grants in 2007 of SEK 38 m (2006: SEK 9 m).

2) Of which, SEK 659 m in 2007 for external property rentals totalling 599,164 sq m. The corresponding figures for 2006 are SEK 605 m and 612,552 sq m. Charges relate to the administrations.

3) Landstingens Ömsesidiga Försäkringsbolag (County Councils' Mutual Insurance Company).

4) This figure includes leasing charges for the year. They break down by amount and due date as follows:

	Paid this year	2008	2009–2012	after 2012
Operating leases (incl. finance leases signed before 1 January 2003)	156	122	163	0
Finance leases (refers to leases signed after 31 December 2002)	41	46	62	30
<b>Total leasing charges (machinery and equipment)</b>	<b>197</b>	<b>168</b>	<b>225</b>	<b>30</b>

For financial leases, see also note 15.

## Note 3 Items affecting comparability

SEK m	Group		Administrations	
	2007	2006	2007	2006
Repayment of VAT to cultural companies	0	70	0	12
Liquidation of the purchasing organisation 45	22	0	22	0
<b>Total items affecting comparability</b>	<b>22</b>	<b>70</b>	<b>22</b>	<b>12</b>
Pension provisions <sup>1)</sup>	0	500	0	500
Change to pension agreement	0	– 380	0	– 380
Effects of RIPS 07 (Guidelines for calculating pension liability)	106	481	106	481
<b>Total items affecting comparability</b>	<b>106</b>	<b>601</b>	<b>106</b>	<b>601</b>
<b>Total</b>	<b>– 84</b>	<b>– 531</b>	<b>– 84</b>	<b>– 589</b>

1) See Accounting principles.



## Note 4 Personnel costs and sickness absence

SEK m	Group		Administrations	
	2007	2006	2007	2006
<b>Personnel costs, salaries, other remuneration and payroll overhead</b>				
Company boards of directors and managing directors	7	8	0	0
<b>Other employees</b>				
Salaries	13,584	12,895	13,250	12,563
Other remuneration costs	40	43	34	41
Other personnel costs	525	484	508	466
<b>Total</b>	<b>14,156</b>	<b>13,430</b>	<b>13,792</b>	<b>13,071</b>
Social security contributions	4,690	4,488	4,594	4,393
Pension costs, incl. special payroll tax <sup>1)</sup>	2,312	2,553	2,257	2,507
<b>Payroll overhead</b>	<b>7,002</b>	<b>7,041</b>	<b>6,851</b>	<b>6,900</b>
<b>Total personnel costs</b>	<b>21,158</b>	<b>20,470</b>	<b>20,643</b>	<b>19,971</b>

1) In addition, there is an interest expense of SEK 156 m for 2007 and SEK 91 m for 2006, reported in the income statement. Administrative costs of SEK 5 m for 2007 and SEK 4 m for 2006 are reported under other costs, note 2.

Sickness absence for administrations 1 Jan to 31 Dec 2007	All	Women	Men	Aged 29 and below	30–49	50 and above
Sickness absence as a percentage of full-time working hours	6.7	7.3	4.2	4.2	6.2	7.7
Long-term sickness absence as a percentage (>60 days) of total sickness absence	61.5					

Definitions as laid down by the Swedish Association of Local Authorities and Regions.

## Note 5 Depreciation and write-downs

SEK m	Group		Administrations	
	2007	2006	2007	2006
<b>Depreciation</b>				
Intangible fixed assets	3	5	3	5
Land and buildings	387	359	382	354
Machinery and equipment	628	608	588	563
<b>Total</b>	<b>1,018</b>	<b>972</b>	<b>972</b>	<b>922</b>
<b>Write-downs</b>				
Write-downs of fixed assets	26	19	26	18
<b>Total depreciation and write-downs</b>	<b>1,044</b>	<b>991</b>	<b>998</b>	<b>940</b>

## Note 6 Tax revenues

SEK m	Group		Administrations	
	2007	2006	2007	2006
Preliminary payment of regional tax etc. for the year	26,066	24,898	26,066	24,898
Interim regional tax settlement for the year	479	81	479	81
Final regional tax settlement for the previous year	31	174	31	174
<b>Total</b>	<b>26,576</b>	<b>25,153</b>	<b>26,576</b>	<b>25,153</b>

## Note 7 Local authority equalisation and government grants

SEK m	Group		Administrations	
	2007	2006	2007	2006
Income equalisation	2,616	2,577	2,616	2,577
Cost equalisation	269	185	269	185
Introduction fee/level adjustment	158	- 215	158	- 215
Employment support	0	345	0	345
Grant for reduced sickness absence	164	112	164	112
Government grant for prescription medicines	3,575	3,454	3,575	3,454
<b>Total</b>	<b>6,782</b>	<b>6,458</b>	<b>6,782</b>	<b>6,458</b>

## Note 8 Financial income

SEK m	Group		Administrations	
	2007	2006	2007	2006
Interest income <sup>1)</sup>	165	65	174	65
Credit interest capitalised in connection with investments <sup>2)</sup>	16	15	16	15
Other financial income	14	11	7	6
<b>Total</b>	<b>195</b>	<b>91</b>	<b>197</b>	<b>86</b>

1) The interest income is affected by purchases of interest rate swaps.

2) See Accounting principles.

## Note 9 Financial expenses

SEK m	Group		Administrations	
	2007	2006	2007	2006
Interest expense <sup>1)</sup>	27	11	32	14
Write-down of shares in regional companies <sup>2)</sup>	0	0	0	226
Other financial costs	45	28	45	27
<b>Total</b>	<b>72</b>	<b>40</b>	<b>77</b>	<b>268</b>

1) The interest income is affected by purchases of interest rate swaps.

2) A new share issue with an allocation to a share premium reserve has taken place in the companies. Shares have been written down in an amount corresponding to added share premium reserves. The items have been eliminated in the consolidated accounts.

## Note 10 Capital gains/losses on disposal of fixed assets

SEK m	Group		Administrations	
	2007	2006	2007	2006
Gains on real estate	14	5	9	4
Gains on equipment	5	1	2	1
<b>Total</b>	<b>18</b>	<b>6</b>	<b>10</b>	<b>5</b>
Losses on equipment	4	1	4	1
<b>Total</b>	<b>4</b>	<b>1</b>	<b>4</b>	<b>1</b>
<b>Net gains/losses</b>	<b>14</b>	<b>6</b>	<b>6</b>	<b>5</b>



## Note 11 Other items affecting working capital

SEK m	Group		Administrations	
	2007	2006	2007	2006
Almi Företagspartner Väst AB, increased shareholding	0	4	0	0
Kommunalförbundet Stretered Association, equity	0	0	0	2
Musik i Väst Foundation, equity	5	0	5	0
Västtrafik AB, equity in 2006 annual accounts	3	0	0	0
<b>Total</b>	<b>8</b>	<b>4</b>	<b>5</b>	<b>2</b>

## Note 12 Sales of fixed assets

SEK m	Group		Administrations	
	2007	2006	2007	2006
Sale of land and buildings	18	6	13	5
Sales of machinery and equipment	24	3	3	3
<b>Total</b>	<b>42</b>	<b>9</b>	<b>16</b>	<b>8</b>

## Note 13 Intangible fixed assets

SEK m	Group		Administrations	
	2007	2006	2007	2006
<b>Accumulated acquisition values</b>				
At start of year	81	91	75	85
New acquisitions	1	1	0	1
Sales/retirements	-27	-11	-27	-11
<b>Closing accumulated acquisition values</b>	<b>55</b>	<b>81</b>	<b>48</b>	<b>75</b>
<b>Accumulated depreciation</b>				
At start of year	78	84	72	78
Depreciation and write-down for the year	3	5	3	5
Sales/retirements	-27	-11	-27	-11
<b>Closing accumulated depreciation</b>	<b>54</b>	<b>78</b>	<b>48</b>	<b>72</b>
<b>Closing residual value</b>	<b>1</b>	<b>4</b>	<b>0</b>	<b>3</b>

## Note 14 Land and buildings

SEK m	Group		Administrations	
	2007	2006	2007	2006
<b>Accumulated acquisition values</b>				
At start of year	11,641	11,029	11,505	10,899
New acquisitions	208	316	194	310
Reclassifications	238	299	228	299
Sales/retirements	-9	-4	-9	-4
<b>Closing accumulated acquisition values</b>	<b>12,079</b>	<b>11,641</b>	<b>11,918</b>	<b>11,505</b>
<b>Accumulated depreciation</b>				
At start of year	5,734	5,375	5,698	5,343
Depreciation and write-downs for the year	403	359	398	354
Sales/retirements	-5	0	-5	0
<b>Closing accumulated depreciation</b>	<b>6,133</b>	<b>5,734</b>	<b>6,091</b>	<b>5,698</b>
<b>Closing residual value</b>	<b>5,946</b>	<b>5,907</b>	<b>5,827</b>	<b>5,807</b>

## Note 15 Machinery and equipment

SEK m	Group		Administrations	
	2007	2006	2007	2006
<b>Accumulated acquisition values</b>				
At start of year	7,581	6,932	6,723	6,221
New acquisitions	679	760	631	601
Reclassifications	51	83	51	83
Sales/retirements	- 376	- 190	- 320	- 187
Adjustment to acquisition value <sup>1)</sup>	0	- 3	0	5
<b>Closing accumulated acquisition values</b>	<b>7,935</b>	<b>7,581</b>	<b>7,085</b>	<b>6,723</b>
<b>Accumulated depreciation</b>				
At start of year	5,031	4,538	4,512	4,065
Depreciation and write-downs for the year	638	627	597	582
Reclassifications	0	55	0	54
Sales/retirements	- 355	- 190	- 314	- 189
<b>Closing accumulated depreciation</b>	<b>5,314</b>	<b>5,031</b>	<b>4,795</b>	<b>4,512</b>
<b>Closing residual value <sup>2)</sup></b>	<b>2,620</b>	<b>2,550</b>	<b>2,290</b>	<b>2,210</b>

1) Write-down of instruments and transfer of equipment from the Bohuslän museum.

2) The assets do not include financially leased fixed assets.

Finance leases residual value (owed to lessor)	Group		Administrations	
	2007	2006	2007	2006
Vehicles	150	118	149	117
Trains	62	0	0	0
Emergency power plant	28	0	28	0
Medical equipment	2	5	2	5
Other	6	5	5	5
<b>Total residual value, financially leased fixed assets</b>	<b>248</b>	<b>128</b>	<b>184</b>	<b>127</b>

(signed after 31 Dec 2002)

## Note 16 Investments in progress

SEK m	Group		Administrations	
	2007	2006	2007	2006
<b>Accumulated acquisition values</b>				
At start of year	561	625	505	494
New acquisitions	914	266	901	341
Reclassifications	- 289	- 328	- 279	- 328
Sales/write-downs	0	- 2	0	- 2
<b>Closing accumulated acquisition values</b>	<b>1,186</b>	<b>561</b>	<b>1,127</b>	<b>505</b>



## Note 17 Financial fixed assets

SEK m	Group		Administrations	
	2007	2006	2007	2006
<b>Shares and participating interests</b>				
Shares in wholly-owned and part-owned companies	0	0	190	190
Other shares and participating interests	28	9	17	0
Long-term loans to Västtrafik AB	250	150	500	300
Long-term receivables, other	14	29	6	14
<b>At year end</b>	<b>292</b>	<b>188</b>	<b>712</b>	<b>504</b>

List of the Region's shareholdings in wholly-owned and part-owned companies	Number of shares	Percentage holding	Book value
GöteborgsOperan AB	13,000	100	13
GöteborgsOperan AB, shareholder contribution			21
Göteborgs Symfoniker AB	7,000	100	11
Göteborgs Symfoniker AB, shareholder contribution			12
Film i Väst AB	250	100	0
Film i Väst AB, shareholder contribution			11
Västsvenska Turistrådet AB	1,000	100	1
Västsvenska Turistrådet AB, shareholder contribution			1
Sahlgrenska International Care AB	400	100	4
Regionteater Väst AB	4,095	91	4
Västtrafik AB	100,000	50	100
Kommunalförbundet Stretered		43	10
Almi Företagspartner Väst AB	13,931	37	2
<b>Total consolidated companies</b>			<b>190</b>

## Note 18 Current receivables

SEK m	Group		Administrations	
	2007	2006	2007	2006
Accounts receivable	718	679	521	519
Prepaid expenses and accrued income	1,787	1,126	1,905	1,260
Other receivables	1,051	978	991	921
<b>Total</b>	<b>3,557</b>	<b>2,783</b>	<b>3,417</b>	<b>2,700</b>

## Note 19 Short-term investments

SEK m	Group		Administrations	
	2007	2006	2007	2006
<b>Investments of securities</b>				
Interest-bearing securities	3,156	2,789	3,156	2,789
Nordea	0	200	0	200
Other	12	10	0	0
<b>Total investments of securities</b>	<b>3,168</b>	<b>2,999</b>	<b>3,156</b>	<b>2,988</b>
<b>Investments of pension funds <sup>1)</sup></b>				
Interest-bearing securities	978	0	978	0
<b>Total investments of pension funds</b>	<b>978</b>	<b>0</b>	<b>978</b>	<b>0</b>
<b>Total</b>	<b>4,146</b>	<b>2,999</b>	<b>4,134</b>	<b>2,988</b>

1) Investments of pension funds include liquid funds of SEK 10 m, reported under cash and bank balances. For more information about pension investments, see Financial analysis.

## Note 20 Equity

SEK m	Group		Administrations	
	2007	2006	2007	2006
<b>Restricted equity</b>				
At start of year	52	33	0	0
Adjustment, transfer of non-restricted to restricted equity	3	27	0	0
Write-ups and write-downs during the year	0	- 8	0	0
<b>At year end</b>	<b>55</b>	<b>52</b>	<b>0</b>	<b>0</b>
<b>Non-restricted equity</b>				
At start of year	3,054	2,340	3,046	2,342
of which, 2005 retained surplus earmarked for pension reserve	480	480	480	480
Adjustment of opening balance, reclassifications etc.	6	- 27	5	0
Write-ups and write-downs during the year	0	4	0	2
Surplus for the year	989	737	984	702
<b>At end of year</b>	<b>4,048</b>	<b>3,054</b>	<b>4,035</b>	<b>3,046</b>
<b>Total</b>				
At start of year	3,106	2,373	3,046	2,342
Adjustment of opening balance, reclassifications etc.	9	0	5	0
Write-ups and write-downs during the year	0	- 4	0	2
Surplus for the year	989	737	984	702
<b>At end of year</b>	<b>4,103</b>	<b>3,106</b>	<b>4,035</b>	<b>3,046</b>

## Note 21 Pension provisions

SEK m	Group		Administrations	
	2007	2006	2007	2006
<b>All items include special payroll tax</b>				
Defined-contribution pensions 1998–1999 <sup>1)</sup>	26	26	26	26
Defined-benefit old-age pensions <sup>2)</sup>	4,365	3,503	4,365	3,503
Individual contracted pensions <sup>3)</sup>	52	48	52	48
Fixed-period pensions, public officials <sup>3)</sup>	13	15	13	15
Fixed period pensions, elected representatives <sup>4)</sup>	14	10	14	10
Provision for pensions earned before 1998 <sup>5)</sup>	528	500	528	500
<b>Total</b>	<b>4,998</b>	<b>4,102</b>	<b>4,998</b>	<b>4,102</b>

1) Existing value refers to defined-contribution pensions for persons who have already retired.

2) Defined-benefit old-age pension includes pensions for surviving beneficiaries.

3) Individual contracted pensions include individual old age pension/guaranteed pension under previous agreements and are only for public officials. They cover 112 persons in 2007 and 93 persons in 2006.

4) Fixed-period pensions are based on contracts/conditions for public officials (16 in 2007 and 24 in 2006) and elected representatives (19 in 2007 and 15 in 2006). The basis for the calculation is the time factor, annual average points and the basic amount. The pension is aligned with earned income. **For public officials the following applies:** they shall be covered by an individual appointment to a fixed-term position which was announced before 1 January 1998. A fixed-period pension is issued if no extended appointment is received or (at the person's own request) if the employee has held the appointment for more than 12 years. The pension is not granted if the obligation to resign intervenes in accordance with the prevailing pension agreement for old-age pensions. Fixed-period pensions are granted from the date of leaving office and continue until the old-age pension is issued. To receive the whole fixed-period pension, 12 years' service is required. **The following applies to elected representatives:** if their mandate is full-time or a significant proportion of full-time, at least 40 per cent. The fixed-period pension is granted to elected representatives who are at least 50 years of age but before they have reached 65 and have held the mandate for at least 48 months or otherwise meet the conditions.

5) See Accounting principles.



## Note 22 Other provisions

Administrations SEK m	Value at year end 2006	Provision for the year	No reversal utilised	Utilisation during the year	Value at year end 2007
Regional development	213	161	- 12	- 132	230
of which, infrastructure/public transport	108	38	0	- 32	113
Environmental projects	23	20	- 1	- 11	32
Cultural projects	0	14	0	- 12	1
County Councils' Mutual Insurance Company	836	56	0	0	892
Provision for internal loss settlement fund	25	5	0	0	29
Other provisions	5	26	0	0	31
<b>Total administrations</b>	<b>1,102</b>	<b>282</b>	<b>- 13</b>	<b>- 155</b>	<b>1,215</b>

Group SEK m	Value at year end 2006	Provision for the year	No reversal utilised	Utilisation during the year	Value at year end 2007
Regional development	213	161	- 12	- 132	230
of which, infrastructure/public transport	108	38	0	- 32	113
Environmental projects	23	20	- 1	- 11	32
Cultural projects	0	14	0	- 12	1
County Councils' Mutual Insurance Company	836	56	0	0	892
Provision for internal loss settlement fund	25	5	0	0	29
Deferred tax, companies	14	2	0	- 1	15
Other provisions	5	26	0	0	31
<b>Total Group</b>	<b>1,116</b>	<b>283</b>	<b>- 13</b>	<b>- 155</b>	<b>1,231</b>

## Note 23 Long-term liabilities

SEK m	Group		Administrations	
	2007	2006	2007	2006
Bank overdraft facility <sup>1)</sup>	83	28	83	27
Other long-term liabilities	12	6	6	6
<b>Total</b>	<b>95</b>	<b>33</b>	<b>89</b>	<b>32</b>

1) The unutilised portion of the overdraft facility is SEK 667 m.

## Note 24 Current liabilities

SEK m	Group		Administrations	
	2007	2006	2007	2006
Accounts payable	2,193	2,009	1,991	2,076
Pension contributions, incl. special payroll tax	711	562	711	562
Holiday pay owed	895	849	882	836
Salaries, on-call, standby, overtime	401	400	389	391
Employers' contributions, tax at source, self-employed tax <sup>1)</sup>	595	809	589	799
Accrued expenses and deferred income <sup>1)</sup>	2,074	1,929	1,856	1,455
Other current liabilities	955	504	1,120	663
<b>Total</b>	<b>7,824</b>	<b>7,062</b>	<b>7,538</b>	<b>6,783</b>

1) The figures for 2006 year have been adjusted by SEK 112,000 for payroll tax for pension contributions.

## Note 25 Contingent liabilities and guarantees

SEK m	Group		Administrations	
	2007	2006	2007	2006
<b>Contingent liabilities</b>				
Pension liabilities, incl. special payroll tax <sup>1)</sup>	22,358	19,242	22,358	19,242
<b>Total contingent liabilities</b>	<b>22,358</b>	<b>19,242</b>	<b>22,358</b>	<b>19,242</b>
of which, liabilities for future fixed-term pensions/individual contracted pensions for officials which have not started (SEK m)	27	33	27	33
of which, number of persons included	11	13	11	13
<b>Guarantees</b>				
Transitio AB, in favour of Handelsbanken <sup>2)</sup>	800	0	800	0
Västrafik AB, in favour of Handelsbanken	125	143	125	143
Nordic Watercolour Museum	16	16	16	16
Other	15	20	12	13
<b>Total guarantees</b>	<b>956</b>	<b>178</b>	<b>953</b>	<b>171</b>
<b>Total</b>	<b>23,314</b>	<b>19,420</b>	<b>23,311</b>	<b>19,413</b>

1) See Accounting principles.

2) The Regional Council approved the acquisition by Västrafik of an interest in Transitio AB. Transitio is a company owned jointly by seventeen traffic principals which is commissioned to purchase, maintain and finance local trains. The company is structured so that its owners together guarantee through a personal surety the company's financial commitment within a guarantee of SEK 8 billion. This surety is linked to an agreed right of recovery between the creditors, under which they are each financial liable only for the trains that they have themselves acquired. During the year Transitio requested SEK 800 m of the surety to guarantee the financing of trains for Region Skåne. Region Västra Götaland's net guarantee commitment is zero since it has not financed any trains via Transitio.

## Foundations and coordination associations not included in the consolidated accounts

The net sales and total assets stated relate to the entire unit, i.e. not just the share of the votes	Share of votes in %	Net sales, SEK m	Total assets, SEK m	Group contribution, SEK m
Skaraborg Institute Foundation	100	9	26	8
West Coast Foundation	63	28	16	5
Steneby School Foundation	44	28	37	8
Läckö Castle Foundation	27	16	10	5
Foundation for future maintenance of Dalsland Canal	17	6	6	3
Coordination association Bollebygd, Mark and Svenljunga	25	8	10	2
Coordination association Borås	25	2	3	1
Coordination association Falköping Tidaholm	25	2	2	1
Coordination association Grästorp	25	1	0	0
Coordination association Gothenburg Centre	25	9	13	2
Coordination association Gothenburg Hisingen	25	25	11	6
Coordination association Gothenburg Northeast	25	12	20	3
Coordination association Gothenburg West	25	11	5	3
Coordination association HjoTiBorg	25	1	1	0
Coordination association Kungälv	25	3	5	1
Coordination association Mölndal, Partille, Härryda, Lerum	25	10	8	2
Coordination association Norra Bohuslän	25	4	6	1
Coordination association Norra Dalsland	25	3	5	1
Coordination association Norra Skaraborg	25	3	3	1
Coordination association Skövde	25	2	2	1
Coordination association Tranemo and Ulricehamn	25	4	4	1
Coordination association Trollhättan	25	6	9	2
Coordination association Vänersborg Mellerud	25	4	4	1
Coordination association Västra Skaraborg	25	6	5	2

In 2007 the Musik i Väst Foundation was incorporated into the Administration for Cultural Development. Purchasing organisations 4S and 5S concluded their operations on 31 December 2006. The figures above refer in certain cases to assignments not handled by the Regional Executive Board.



# Auditors' Report

We have examined the operations of the Regional Executive Board and the departments that come under the supervision of the Regional Executive Board, together with other regionwide functions, the Region's annual financial report and accounts and consolidated accounts for Region Västra Götaland. We submit this together with another 42 audit reports, one for each committee and executive board or group of committees and executive boards, as shown in the attached list. In these we recommend adoption of the accounts for all executive boards and committees.

The examination has been carried out in accordance with the Local Government Act, good auditing practice in municipal undertakings and the regional regulations for the Auditors' Office.

Through appointed lay auditors in GöteborgsOperan AB, Göteborgs Symfoniker AB, Västsvenska Turistrådet AB, Sahlgrenska International Care AB, Film i Väst AB, Regionteater Väst AB and Västtrafik AB, the operations of these companies in 2007 have also been audited.

The examination has been conducted in the form of dialogues with representatives of committees and executive boards, focusing on internal management and control, which add depth to the examination, as well as an examination of the annual and current accounts. We have sampled the minutes and other documents that provided information about the finance and administration of the Regional Executive Board. Our comments assembled from audits during the year can be found in the annual audit memorandum.

In our annual memorandum we list a number of areas where the Regional Executive Board has a special responsibility, together with the other committees, for improving the situation and making the necessary proposals to the Regional Council and other bodies.

The Region reports a surplus of SEK 989 m for the 2007 financial year. We consider that the result is consistent with the principal objectives of good financial housekeeping approved by the Regional Council.

The annual accounts have in all essential aspects been drawn up in accordance with the Local Government Accounting Act. We recommend approval of the annual accounts. We recommend adoption by the Regional Executive Board.

Vänersborg, 3 April 2008



Ulrik Nilsson  
Chairman



Ulla Göthager  
Vice Chairman



Bernt Sabel



Ulla Buhr



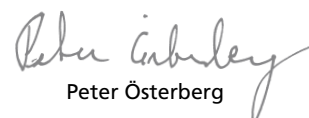
Tomas Gustafson



Christer Johansson



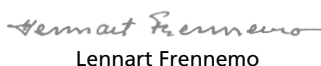
Nils-Gunnar Nilsson



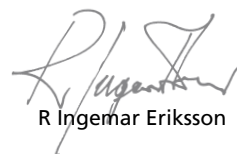
Peter Österberg



Wimmar Sundeen



Lennart Frennemo



R Ingemar Eriksson

The following form part of the auditors' report: A list of the 42 separate audit reports submitted | A list of the reports of experts included in various examinations | The annual audit memorandum | Reports of examinations from five wholly-owned and two part-owned companies and their audit reports.

# Regional Executive Board

The Regional Executive Board is the highest executive body of Region Västra Götaland. It prepares the matters to be taken up by the Regional Council and takes decisions in a series of other matters. The Board issues guidelines for the work of the Region, mainly in the areas of health care and medical services and growth and development, and has the ultimate responsibility for the organisation's just over 50,000 employees. On the Regional Executive Board sit fifteen regional councillors, including seven opposition councillors.



**Roland Andersson**  
Chairman (s)



**Johnny Magnusson**  
Vice Chairman (m)



**Anneli Stark**  
(s)



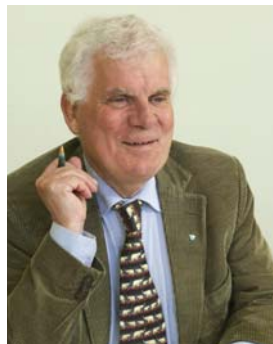
**Johnny Nilsson**  
(s)



**Leif Blomqvist**  
(s)



**Karin Engdahl**  
(s)



**Lars Nordström**  
(fp)



**Jonas Andersson**  
(fp)



**Kent Johansson**  
(c)



**Annika Tännström**  
(m)



**Martin Andréasson**  
(m)



**Gunilla Levén**  
(m)



**Monica Selin**  
(kd)



**Sören Kviberg**  
(v)



**Stefan Kristiansson**  
(mp)



# The Chief Executive's Strategic Management Group

The strategic management group deals with matters that are of long-term and strategic importance for the whole regional organisation. The group ties together the various business areas and deals with and coordinates issues that are long-term and strategic for the entire regional organisation.



**Johan Assarsson**  
*Regional Director*



**Bertil Törsäter**  
*Regional Development Director*



**Kerstin Alberius**  
*Staff Manager*



**Kristian Berg**  
*Head of Culture*



**Lena Larsson**  
*Personnel Director*



**Lars-Olof Rönnqvist**  
*Health and Medical Care Director*



**Mats Friberg**  
*Director of Finance*



**Kerstin Einarsson**  
*Director of Communications*



**Bodil Warolin**  
*Administrative Director*

# The Regional Executive's MBL Group and Safety Committee

The MBL group (MBL = the Swedish Codetermination Act) and safety committee of the Regional Executive Board represent the employees. The task of the group is to work throughout the Region for, among other things, good working conditions with regard to pay, conditions of employment and the work environment. The group receives information from and negotiates with the employer, i.e. Region Västra Götaland.



**Christina Berntsson**  
SACO



**Inger Eriksson**  
SACO



**Kjell Sunnerdahl**  
SKTF



**Gun-Britt Delsvik Svensson**  
SKTF



**Marina Olsson**  
Health Professionals



**Sineva Ribeiro**  
Health Professionals



**Jan Emanuelsson**  
Ledarna



**Åke Mjölnevik**  
Municipal Workers



**Lennart Bengtsson**  
Municipal Workers



This is what went on in the region in 2007. Every day: 11,700 visits were made to our healthcare centres and 7,384 visits to our hospitals... 51 children were born in our hospitals... 92 hours of interpreting were carried out for the deaf... 310,000 kilometres were driven by Västtrafik's vehicles (about eight times round the globe)... 1,448 people visited the Botanical Gardens... 1,935 people visited our museums... in the whole of Sweden 4,109 cinemagoers saw one of the films produced by Film i Väst. An average of 1,096 people came to each performance that GöteborgsOperan put on at the Stora Scenen theatre. Every concert performed by the Gothenburg Symphony Orchestra in the Stora Salen auditorium attracted an average of 943 visitors.



Trycksak 341 188

This publication was made using environmentally friendly methods and materials at a printer carrying the Swan environmental label | **Design & production:** Speak, [www.speak.se](http://www.speak.se) | **Print:** Palmeblads Tryckeri AB, Mölndal 2008 | **Cover photo:** Henrik Trygg, Getty Images | **Other photos:** Lisa Nestorson, [www.vastsverige.com](http://www.vastsverige.com) · Michael Malmberg, [www.tellus.tv](http://www.tellus.tv) · Sergio Joselovsky, 031-Foto · Curt Warås · Veronika Svensson · Mehrdad Modiri · Björn Olsson · Christer Hallgren · Ingmar Jernberg · Jonas Carlsson · Peter Brundin

