

Audit Committee – 11 November 2013

Financial Health Indicators 2013/14

1. Summary of report

- 1.1 This report details the financial health indicators for the second quarter of the year (to 30 September 2013) as shown at **Appendix 1** including the current year end forecast position for 2013/14 for both revenue and capital.

2. Recommendations

Audit Committee is requested to note the financial health indicators.



**James T Walsh
Chief Finance Officer
18 October 2013**

3. Governance

- 3.1 Financial health indicators are currently reported on a quarterly basis by the Chief Finance Officer to CMT, all members of the council, to Audit Committee and are published on the council's website for transparency.
- 3.2 Treasury management activity and performance is reported at the start, middle and end of the year to Audit Committee, Cabinet and Council. Corporate financial performance is reported to Cabinet throughout the financial year. Scrutiny panels also receive updates on the financial position of services within their remit. Where overspends are reported, these are required to be managed in year wherever possible. Corrective actions plans are drawn up and reported to CMT, senior management teams and members.
- 3.3 The primary purpose of this report is to advise Audit Committee of the current financial health of the authority in order to provide assurance to the Audit Committee in their role, and the mechanisms and controls by which the council is managing a challenging national and local financial position.

4. Resource and legal considerations

- 4.1 The indicators set out in Appendix one cover a number of areas as follows:
- 4.2 Treasury Management
The indicators show the actual borrowing and investment rates for 2012/13 and the forecast for 2013/14 against set targets. All indicators are forecast to be achieved with minimal variances against borrowing rates and investment rates. An underspend against budget is currently forecast.

4.3 Balance Sheet

This details ratios for the last 3 financial years 2010/11 to 2012/13 which shows the liquidity of the authority.

4.4 Revenue performance

This section shows collection rates for council tax and business rates, the average number of days to collect sundry debt and the number of days to process creditor payments for 2012/13 and the quarterly performance against profile for 2013. /14. All have exceeded their profile with the exception of council tax collection which has marginally under achieved.

4.5 Corporate financial performance

This section details the outturn position for 2012/13 and 2013/14 year-end forecast for revenue and capital, which is based on the financial position for the second quarter of the year (to 30 September 2013). The current revenue forecast for 2013/14 is an overspend of £2.94m. The council, similar to many others, is facing significant financial pressures and an increase in demand for certain services. As a result, this is now translating into some significant cost pressures, particularly within Children's services and Social Care.

Mainstream capital (funded from the council's own resources) is expected to be under budget by £410k and £2.74m of projects have been re-phased into 2014/15 due to unavoidable delays. This equates to the £3.15m variance in the table. Prudential borrowing also has £2.40m re-phasing into 2014/15. There is also a further £26.69m of capital grant funded projects to be re-phased into 2014/15. Capital receipts are expected to over achieved by £1.47m and general reserves are currently in line with the medium term financial strategy.

5. Performance and risk management issues

- 5.1 Managers are required to deliver service and improvement targets on time, to standard and within budget. The performance management system uses a red, amber, green (RAG) indicator to show the current status. The current position is amber due to the forecast revenue outturn and senior managers are tasked with reviewing this as part of directorate action plans to mitigate pressures in year.
- 5.2 Risk management is embedded in budget preparation, monitoring and forecasting to enable variances and risks to be identified early and addressed. A number of assumptions have been made in the forecast figures by managers. There are risks attached to this that could impact adversely on the current position and which are being actively and robustly managed.

6. Equality implications

- 6.1 None directly associated with this report.

7. Consultation

- 7.1 The report is prepared in consultation with the Chief Finance Officer, relevant managers and executive directors.

8. Background papers

- 8.1 Various financial performance, treasury management and budget monitoring reports.

Contacts

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Financial Health Indicators

Treasury Management	2012/13 Actual	2013/14 Target	2013/14 Actual
Average Interest Rate (Borrowing)	4.53%	4.52%	4.53%
- Excluding OLA	4.67%	4.63%	4.67%
- Including OLA			
Gearing Effect on Capital Financing Estimates	2.00%	5.00%	1.19%
Net Borrowing Costs / Net Budget Requirement	3.01%	6.50%	4.19%
Capital Financing Requirement (£m)	299.452	319.279	312.547
Authorised limit for external Debt (£m)	319.724	351.207	351.207
Investment Rate Average	2.1%	1.0%	1.3%

Balance Sheet Ratios	2010/11	2011/12	2012/13 (pre -audit)
Current Assets : Current Liabilities	2.28	2.70	2.70
Useable Reserves : General Revenue Expenditure	0.29	0.49	0.59
Assuming Revenue Expenditure is equal to Net Operating Expenditure (2008/09)			
Long Term Borrowing : Tax Revenue (Using both council tax and NNDR for tax revenue)	1.25	1.25	1.13
Long Term Assets : Long Term Borrowing	1.83	1.89	1.84
Total School Reserves : Dedicated School Grant	0.06	0.07	0.08

Revenues Performance % collected for financial year	2011/12 Actual Collected in total @ 31.03.13	2012/13 Actual Collected in total @ 30.09.13	2013/14	
			Profiled Qtr	Actual
Council tax %	98.4%	97.6%	54.5%	53.8%
National Non Domestic Rate %	97.9%	97.4%	59.5%	59.9%
Total Council Tax collected (£m)	£90,323,443	£90,218,503	£52,604,124	£52,093,865
Total NNDR collected (£m)	£65,201,884	£66,900,678	£42,418,971	£42,931,630

Debtors and Creditors Performance	2012/13 Actual	2013/14	
		Profiled Qtr	Actual
Sundry Debtors Collection – Average number of days to collect debt	26 days	30 days	26 days
Average number of days to process creditor payments	11.92 days	14 days	13 days

Management of Resources	Actual 2012/13	2013/14 (budget for monitoring)		
Service Analysis	Pre-audit	Target	Actual (pre-audit)	Variance
Children's Services	52,613,725	53,556,519	55,665,451	2,108,932
Neighbourhood Services	60,547,614	43,792,767	44,189,858	397,091
Regeneration	17,280,082	5,862,496	6,081,891	219,395
Social Care & Inclusion	67,500,397	66,535,141	67,625,398	1,090,257
Resources	7,798,112	24,237,172	25,377,129	1,139,957
Council Wide	31,177,268	54,595,391	52,579,650	(2,015,741)
RSG/NNDR	(129,164,992)	(163,027,571)	(163,027,571)	0
Total	107,752,206	85,551,915	88,491,806	2,939,891
General Reserves	16,611,535	Minimum £6.3m Maximum £12.5m	Q2 13,111,206	N/A
Council Funded Capital Expenditure	15,568,567	16,844,449	13,698,532	3,145,917
Grant Funded Capital Expenditure	31,719,243	60,153,262	35,461,255	24,692,007
Prudential Expenditure	4,874,928	5,674,354	3,272,018	2,402,336
Total Capital Expenditure	52,162,738	82,672,065	52,431,805	30,240,260
Capital Receipts	3,239,165	1,500,000	2,996,600	1,466,600

What this tells us

Treasury Management	
Average Interest Rate (Borrowing)	The average interest rate we are paying on the money we have borrowed compared to our target.
Gearing Effect on Capital Financing Estimates	Shows how a 1% increase in interest rates would affect the total interest cost to the council.
Unsupported Borrowing : Net Revenue	Borrowing not financed by a grant from government, as a proportion of our Net Revenue Expenditure
Capital Financing Requirement (£m)	How much money we currently borrow to finance our capital programme.
Authorised limit for external Debt (£m)	The maximum amount of debt we should have at any one time
Investment Rate Average	The average interest rate we are receiving on the money we have invested.

Balance Sheet Ratios	
Current Assets : Current Liabilities	Our ability to meet our liabilities
Useable Reserves : General Revenue Expenditure	If our reserves are adequate to meet potential future variations.
Long Term Borrowing : Tax Revenue Using only council tax for tax revenue Using both council tax and NNDR for tax revenue	The effect of long term borrowing on our budget.
Long Term Borrowing : Long Term Assets	This allows us to understand the relationship between the money we borrow and the assets we have as they both change over time.
Total School Reserves : Dedicated School Grant	If schools reserves are at an appropriate level.

Revenues Performance	
% Collected for Financial Year	As a percentage the amount of council tax we collected during the financial year that runs from 1 April – 31 March. We collect council tax after the year that its related to, but this won't be included in this figure
Council Tax (%)	
National Non Domestic Rate (%)	As a percentage the amount of Business rates we collected during the financial year that runs from 1 April – 31 March. We collect council tax after the year that it related to.
Total Council Tax Collected (£m)	This tells us the amount of council tax we collected during the financial year that runs from 1 April – 31 March. We collect council tax after the year that it relates to, but this won't be included in this figure.
Total NNDR Collected (£m)	This tells us the amount of Business Rates we collected during the financial year that runs from 1 April – 31 March. We collect council tax after the year that it relates to, but this won't be included in this figure.
Sundry Debtors Collection Average number of days to collect debt	How long on average it takes us to collect money owed to us.
Average number of days to process creditors payments	How long on average it takes to pay our bills.

Management of Resources	
Service Analysis	
Children and Young People Neighbourhood Services Regeneration Social Care Resources Council Wide	Shows our forecast for how much we will spend on these services compared to what we planned and compared to how much we spent in the previous year.
General Reserves	Our forecast year end position on reserves against our opening balance.
Contingency	How much we have set aside and for unplanned expenditure, and how much we have left to spend.
Capital Expenditure	Forecast of our spend on capital programmes against our target
Capital Receipts	Forecast of how much money we expect to receive from selling some of our assets, against our target.