

Audit Committee – 4 September 2017

Financial Health Indicators 2017/18

1. Summary of report

This report details the financial health indicators for the first quarter of the year (to 30 June 2017) as shown in **Appendix 1** including the current year end forecast position for both revenue and capital.

2. Recommendations

2.1 To note the financial health indicators.

3. Governance

3.1 Financial health indicators are currently reported on a quarterly basis to Corporate Management Team (CMT) and Audit Committee, and they 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 for 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 2016/17 and the forecast for 2017/18 against set targets. Most indicators are forecast to be achieved with positive variances against net borrowing cost.

With regard to the gearing effect of a 1% increase in interest rates, the forecast shown has been updated to reflect the actual increase in average rates payable. A change of this scale would increase the average interest rate payable from 3.50% to 3.56% - a 0.06% increase in the rate payable, however a 1.71% difference between the 2 amounts.

4.3 Balance Sheet

This details ratios for the last 4 financial years 2013/14, 2014/15, 2015/16 and pre-audit figures for 2016/17 which show 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 2016/17 and the performance against profile for 2017/18. Sundry debt collection has exceeded the profile by 7 days with the number of days to process creditor payments being exceeded by 3 days. Council tax and business rates collection levels are both on target.

4.5 Corporate financial performance - revenue

This section details the outturn position for 2016/17 (pre audit) and 2017/18 year-end forecast for revenue and capital, which is based on the financial position as at 30 June 2016. The current revenue forecast for 2017/18 is an overspend of £3.79m after delivery of corrective action plans identified to date.

4.6 Corporate financial performance – capital

Mainstream capital (funded from the council's own resources) as at 30 June 2017 is expected to be overspent by £76k after £2.19m of projects re-phased into 2018/19. The overspend will be mitigated in year. The current plan of disposal of assets totals £3.04m for 2017/18 which if all are realised will result in an over achievement of capital receipts of c£440k, which will be used to support next year's programme.

6. **Performance and risk management issues**

- 6.1 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 (to reflect an overspend position) due to the revenue outturn.
- 6.2 Risk management is embedded in budget preparation, monitoring and forecasting to enable variances and risks to be identified early and addressed.

7. **Equality implications**

- 7.1 None directly associated with this report.

8. **Consultation**

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

9. **Background papers**

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



James T. Walsh, Chief Finance Officer, 16 August 2017

Contacts

Vicky Buckley – Head of Finance, ☎ 01922.652326, Vicky.buckley@walsall.gov.uk Jennie Collier – Senior Accountancy Officer, ☎ 01922.652350, jennie.collier@walsall.gov.uk

Financial Health Indicators – Qtr 1 2017/18

Treasury Management	2016/17 Actual	2017/18 Target	2017/18 Actual
Average Interest Rate (Borrowing)	3.80%	4.61%	3.32%
- Excluding OLA	3.94%	4.72%	3.50%
- Including OLA			
Gearing Effect on Capital Financing Estimates	1.8%	5.00%	0.06%
Net Borrowing Costs / Council Tax Requirement and NNDR contribution	10.88%	12.50%	9.72%
Capital Financing Requirement (£m)	335.150	344.171	342.592
Authorised limit for external Debt (£m)	360.965	362.390	362.390
Investment Rate Average	0.89%	0.77%	0.84%

Balance Sheet Ratios	2012/13	2013/14	2014/15	2015/16	2016/17 (Pre-Audit)
Current Assets : Current Liabilities	2.70	2.75	2.44	1.77	1.86
Useable Reserves : General Revenue Expenditure	0.58	0.53	0.66	0.57	0.63
Long Term Borrowing : Tax Revenue (Using both council tax and NNDR for tax revenue)	1.13	1.71	1.69	1.45	1.41
Long Term Assets : Long Term Borrowing	1.84	1.98	2.10	2.29	2.34
Total School Reserves : Dedicated School Grant	0.08	0.09	0.09	0.07	0.05

Revenues Performance % collected for financial year	2015/16 Actual Collected in total @ 30.06.17	2016/17 Actual Collected in total @ 30.06.17	2017/18	
			Profiled 2017/18	Actual 2017/18
Council tax %	97.20%	95.50%	26.50%	26.50%
Total Council Tax collected (£m)	£105,245,897	£109,510,694	£32,500,000	£32,509,372
National Non Domestic Rate %	98.80%	97.50%	31.50%	31.50%
Total NNDR collected (£m)	£69,254,346	£70,494,368	£22,785,000	£22,802,890

Debtors and Creditors Performance	2016/17 Actual	2017/18	
		Profiled Qtr	Actual Qtr
Sundry Debtors Collection – Average number of days to collect debt	27 days	30 days	23 days
Average number of days to process creditor payments*	12 days	14 days	11 days

Management of Resources	2017/18		
Service Analysis	Target	Actual	Variance
Children's Services	48,284,067	49,728,196	1,444,129
Economy and Environment	28,909,132	29,368,744	459,612
Adult Social Care	62,290,197	63,881,160	1,590,963
Change and Governance	25,398,845	23,500,037	101,192
Council Wide	31,564,614	31,762,454	197,840
NNDR/Top Up	(104,540,337)	(104,540,337)	0.00
Total	108,471,436	112,265,172	3,793,736
General Reserves	Minimum £6.2m Maximum £15.51m	N/A	N/A
Council Funded Capital Expenditure	23,845,022	21,716,397	(2,128,625)
External Funded Capital Expenditure	60,456,654	59,832,323	(624,331)
Total Capital Expenditure	84,301,676	81,548,720	(2,752,956)
Capital Receipts	2,600,000	3,038,460	(438,460)

Management of Resources	Pre-Audit 2016/17 Actual		
Service Analysis	Target	Actual	Variance
Children's Services	50,384,893	50,731,394	346,501
Economy and Environment	46,738,475	46,441,584	(296,891)
Adult Social Care	72,754,136	70,349,870	(2,404,266)
Change and Governance	15,837,731	14,658,879	(1,178,852)
Council Wide	24,767,589	27,852,988	3,085,399
RSG/NNDR	(109,491,931)	(109,491,931)	0
Total	100,990,893	100,542,784	(448,109)
General Reserves	Minimum £6.2m Maximum £12.4m	N/A	N/A
Council Funded Capital Expenditure	21,394,512	13,463,467	(7,931,046)
External Funded Capital Expenditure	76,732,202	64,768,242	(11,963,960)
Total Capital Expenditure	98,126,714	78,231,709	(19,895,006)
Capital Receipts	2,770,000	1,673,099	1,096,901

Notes to Management of Resources

The figures for 2016/17 represent the actual budget and spend for each area within the authority. This will include all internal recharges such as office accommodation, central support services, and accounting adjustments for pension liability in line with FRS17 and capital charges. Capital charges and pension liability year end transactions can change substantially at year end as this is when revaluations of assets and figures from the actuary are received and budgets updated to reflect any changes.

The figures reported for 2017/18 are presented as budget for monitoring. This is where we exclude some internal recharges such as office accommodation, central support services, capital charges and accounting adjustments for pension liability in line with FRS17 and include within the area which manages them. For example all central support services costs are shown within Change & Governance. The reason for this is that only the service that manages the area will be able to report on any forecast under / overspend.

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.
Net Borrowing Costs / Tax Requirement	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's Services Economy and Environment Adult Social Care Change and Governance 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.