

Audit Committee – 23 February 2015

Financial Health Indicators 2014/15

1. Summary of report

- 1.1 This report details the financial health indicators for the third quarter of the year (to 31 December 2014) as shown at Appendix 1 including the current year end forecast position for both revenue and capital as at 31 December 2014.

2. Recommendations

- 2.1 Audit Committee is requested to consider and note the financial health indicators.

3. Governance

- 3.1 Financial health indicators are currently reported on a quarterly basis to Corporate Management Team (CMT), all members of the council, 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 and the mechanisms and controls by which the council is managing a challenging national and local financial position, in order to provide assurance to the Audit Committee in their role.

4. Resource and legal considerations

- 4.1 The indicators set out in Appendix 1 cover a number of areas as follows:
- 4.2 Treasury Management
The indicators show the actual borrowing and investment rates for 2013/14 and the forecast for 2014/15 against set targets. All indicators are forecast to be achieved with minimal positive variances against net borrowing cost and investment rates. An underspend against budget is currently forecast.
- 4.3 Balance Sheet
This details ratios for the last 3 financial years 2011/12 to 2013/14 which shows the liquidity of the authority. 2013/14 figures are confirmed following completion of the external audit of the accounts. The increase in long term borrowing: tax revenue ratio is due to a decrease in tax revenue and not due to an increase in borrowing.
- 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 2013/14 and the quarterly performance against profile for 2014/15. Sundry debt and number of days to process creditor payments have exceeded their profile with business rates collection coming in marginally over achieved. Council tax collection is marginally under achieved.

4.5 Corporate financial performance

This section details the final audited outturn position for 2013/14 and 2014/15 year-end forecast for revenue and capital, which is based on the financial position as at 31 December 2014. The current revenue forecast for 2014/15 is an overspend of £3.30m after use of reserves and assuming successful delivery of corrective action plans produced to date to mitigate in year pressures. 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 Adult Social Care.

Mainstream capital (funded from the council's own resources) is expected to be under budget by £540k and £2.02m of projects have been re-phased into 2015/16 due to unavoidable delays. This equates to the £2.56m variance in the table. Of the £540k underspend £520k has been earmarked to fund new projects. Prudential borrowing also has £232k of re-phasing into 2015/16. There is a further £3.06m of capital grant funded projects to be re-phased into 2015/16. Capital receipts are expected to over achieve by £1.33m, which will be used to support future year's capital programmes.

5. Performance and risk management issues

- 5.1 Managers are required to deliver services 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 red (to reflect an overspending position) due to the forecast revenue outturn.
- 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 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.

Background papers

Various financial performance, treasury management and budget monitoring reports.

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Signed:



James Walsh
Chief Finance Officer
29 January 2015

Appendix 1

Financial Health Indicators – Qtr 3 December 2014

Treasury Management	2013/14 Actual	2014/15 Target	2014/15 Actual
Average Interest Rate (Borrowing)	4.60%	4.60%	4.60%
- Excluding OLA	4.73%	4.73%	4.73%
- Including OLA			
Gearing Effect on Capital Financing Estimates	1.23%	5.0%	1.2%
Net Borrowing Costs / Tax Requirement	5.8%	6.2%	5.8%
Capital Financing Requirement (£m)	300.990	317.293	300.990
Authorised limit for external Debt (£m)	351.207	349.022	349.022
Investment Rate Average	1.17%	0.9%	1.17%

Balance Sheet Ratios	2011/12	2012/13	2013/14 (audited)
Current Assets : Current Liabilities	2.70	2.70	2.80
Useable Reserves : General Revenue Expenditure	0.49	0.59	0.53
Long Term Borrowing : Tax Revenue (Using both council tax and NNDR for tax revenue)	1.25	1.13	1.71
Long Term Assets : Long Term Borrowing	1.89	1.84	1.87
Total School Reserves : Dedicated School Grant	0.07	0.08	0.09

Revenues Performance % collected for financial year	2012/13 Actual Collected in total @ 30.12.14	2013/14 Actual Collected in total @ 30.12.14	2014/15	
			Profiled Qtr 3	Actual Qtr 3
Council tax %	98.4	97.6	79.9	79.8
Total Council Tax collected (£m)	91,007,032	94,273,485	79,000,000	78,916,314
National Non Domestic Rate %	98.6	97.5	83.1	83.2
Total NNDR collected (£m)	66,785,007	68,130,600	58,600,000	58,633,836

Debtors and Creditors Performance	2013/14 Actual	2014/15	
		Profiled Qtr	Actual Qtr
Sundry Debtors Collection – Average number of days to collect debt	26 days	30 days	25 days
Average number of days to process creditor payments	12.47 days	14 days	11 days

Management of Resources	Actual 2013/14	2014/15 (budget for monitoring)		
Service Analysis	Post-audit	Target	Actual	Variance
Children's Services	75,628,617	49,187,130	51,592,426	2,405,296
Neighbourhood Services	58,807,949	40,818,562	40,279,458	(539,104)
Regeneration	18,589,664	6,205,694	6,205,692	(2)
Social Care & Inclusion	72,583,775	59,605,727	61,892,432	2,286,705
Resources	12,390,834	22,830,597	22,461,332	(369,265)
Council Wide	11,286,426	54,568,046	54,087,375	(480,671)
RSG/NNDR	(163,027,571)	(146,452,135)	(146,452,135)	0
Total	86,259,694	86,763,621	90,066,581	3,302,960
General Reserves	14,865,489	Minimum £6.3m Maximum £12.5m	N/A	N/A
Council Funded Capital Expenditure	11,958,013	17,703,817	15,143,313	(2,560,504)
Grant Funded Capital Expenditure	25,708,024	28,866,127	25,804,464	(3,061,663)
Prudential Expenditure	2,199,207	12,705,165	12,473,467	(231,698)
Total Capital Expenditure	39,865,244	59,275,109	53,421,244	(5,853,865)
Capital Receipts	781,250	2,220,000	3,545,561	1,325,561

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 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.