

Audit Committee – 27 February 2017

Financial Health Indicators 2016/17

1. Summary of report

- 1.1 This report details the financial health indicators for the third quarter of the year (to 31 December 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 by the Chief Finance Officer to Corporate Management Team (CMT), 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 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 2015/16 and the forecast for 2016/17 against set targets. Most indicators are forecast to be achieved with positive variances with the exception of investment rates which are 0.12% below target of 1.10% due to current market conditions.
- 4.3 Balance Sheet
This details ratios for the last 4 financial years 2012/13, 2013/14, 2014/15 and pre-audit figures for 2015/16 which show the liquidity of the authority. 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. The reduction in current liabilities ratio is due to a

cash repayment on a loan of £20m in 2015/16 which has been reported in previous quarters.

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 2015/16 and the performance against profile for 2016/17. Sundry debt collection has exceeded the profile by 3 days with the number of days to process creditor payments being 12, which is on profile. Council tax collection is in line with profile with business rates collection rates showing 0.8% below profile at this point.

4.5 Corporate financial performance - revenue

This section details the actual outturn position for 2015/16 (post audit) and budget for monitoring purposes for 2016/17 year-end forecast for revenue and capital, which is based on the financial position as at 31 December 2017. The current revenue forecast for 2016/17 is an overspend of £2.49m after delivery of corrective action plans.

4.6 Corporate financial performance – capital

Mainstream capital (funded from the council's own resources) is expected to be under budget by £1.57m, with a further £4.12m of projects re-phased into 2017/18. This will be utilised to fund the 2017/18 capital programme. Capital receipts are expected to under achieve by £1.29m due to the sale of some assets which will now be realised in 2017/18.

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 red (to reflect an overspending position) due to the forecast revenue outturn and senior managers are required to review 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.



James T. Walsh, Chief Finance Officer, 15 February 2017

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Appendix 1

Financial Health Indicators – Qtr 3 2016/17

Treasury Management	2015/16 Actual	2016/17 Target	2016/17 Actual
Average Interest Rate (Borrowing)	4.43%	4.61%	4.23%
- Excluding OLA	4.54%	4.72%	4.37%
- Including OLA			
Gearing Effect on Capital Financing Estimates	3.5%	5.0%	2.70%
Net Borrowing Costs / Council Tax Requirement and NNDR contribution	10.67%	13.5%	11.78%
Capital Financing Requirement (£m)	328.018	322.971	336.573
Authorised limit for external Debt (£m)	357.585	360.695	360.695
Investment Rate Average	1.29%	1.10%	0.98%

Balance Sheet Ratios	2012/13	2013/14	2014/15	2015/16
Current Assets : Current Liabilities	2.70	2.75	2.44	1.77
Useable Reserves : General Revenue Expenditure	0.58	0.53	0.66	0.57
Long Term Borrowing : Tax Revenue (Using both council tax and NNDR)	1.13	1.71	1.69	1.45

for tax revenue)				
Long Term Assets : Long Term Borrowing	1.84	1.98	2.10	2.29
Total School Reserves : Dedicated School Grant	0.08	0.09	0.09	0.07

Revenues Performance % collected for financial year	2014/15 Actual Collected in total @ 31.12.16	2015/16 Actual Collected in total @ 31.12.16	2016/17	
			Profiled 2016/17	Actual 2016/17
Council tax %	98.10%	96.50%	78.00%	77.90%
Total Council Tax collected (£m)	97,381,476	104,525,122	89,450,000	89,337,744
National Non Domestic Rate %	98.60%	98.40%	83.00%	82.20%
Total NNDR collected (£m)	67,036,134	69,128,006	60,100,000	59,561,752

Debtors and Creditors Performance	2015/16 Actual	2016/17	
		Profiled Qtr	Actual Qtr
Sundry Debtors Collection – Average number of days to collect debt	21 days	30 days	27 days
Average number of days to process creditor payments*	15 days	12 days	12 days

Management of Resources	2016/17 (budget for monitoring)		
Service Analysis	Target	Actual	Variance
Children's Services	45,188,376	46,894,623	1,706,247
Economy and Environment	36,644,639	35,988,954	(655,685)
Adult Social Care	62,880,777	68,861,997	5,981,220
Change and Governance	28,195,877	28,061,065	(134,812)
Council Wide	37,573,155	33,170,455	(4,402,700)
RSG/NNDR	(109,491,931)	(109,491,931)	0
Total	100,990,893	103,485,162	2,494,269
General Reserves	Minimum £6.2m Maximum	N/A	N/A

	£12.4m		
Council Funded Capital Expenditure	20,228,620	14,541,186	(5,687,434)
Grant Funded Capital Expenditure	74,302,753	70,354,443	(3,948,310)
Total Capital Expenditure	94,445,029	86,506,400	(7,938,629)
Capital Receipts	2,770,000	1,483,924	1,286,076

Management of Resources	Actual 2015/16		
Service Analysis	Target	Actual	Variance
Children's Services	53,698,003	53,742,526	44,523
Economy and Environment	55,355,991	54,051,088	(1,304,903)
Adult Social Care	58,673,335	60,405,244	1,731,909
Change and Governance	19,551,989	19,772,647	220,658
Council Wide	29,912,582	28,519,505	(1,393,077)
RSG/NNDR	(123,488,933)	(123,488,933)	0
Total	93,702,967	93,022,077	(700,890)
General Reserves	Minimum £6.3m Maximum £12.5m	£14.131m	N/A
Council Funded Capital Expenditure	36,714,302	29,189,507	(7,524,795)
Grant Funded Capital Expenditure	67,015,433	56,620,208	(10,395,225)
Prudential Expenditure	19,162,959	18,811,350	(351,609)
Total Capital Expenditure	103,729,735	85,809,715	(17,920,020)
Capital Receipts	1,475,000	197,727	1,277,273

Notes to Management of Resources

The figures for 2015/16 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.

The figures reported for 2016/17 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.

<p>Long Term Borrowing : Tax Revenue</p> <p>Using only council tax for tax revenue Using both council tax and NNDR for tax revenue</p>	<p>The effect of long term borrowing on our budget.</p>
<p>Long Term Borrowing : Long Term Assets</p>	<p>This allows us to understand the relationship between the money we borrow and the assets we have as they both change over time.</p>
<p>Total School Reserves : Dedicated School Grant</p>	<p>If schools reserves are at an appropriate level.</p>

Revenues Performance	
<p>% Collected for Financial Year</p> <p>Council Tax (%)</p>	<p>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</p>
<p>National Non Domestic Rate (%)</p>	<p>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.</p>
<p>Total Council Tax Collected (£m)</p>	<p>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.</p>
<p>Total NNDR Collected (£m)</p>	<p>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.</p>
<p>Sundry Debtors Collection Average number of days to collect debt</p>	<p>How long on average it takes us to collect money owed to us.</p>
<p>Average number of days to process creditors payments</p>	<p>How long on average it takes to pay our bills.</p>

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