

## **Audit Committee – 16 July 2014**

### **Financial Health Indicators 2013/14**

#### **1. Summary of report**

- 1.1 This report details the financial health indicators for the year (to 31 March 2014) as shown at **Appendix 1** including the actual year end position 2013/14 for both revenue and capital.

#### **2. Recommendations**

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



James Walsh  
Chief Finance Officer  
2 July 2014

#### **3. Governance**

- 3.1 Financial health indicators are reported on a quarterly basis by the Chief Finance Officer to Corporate Management Team (CMT), all members of the council, to Audit Committee and 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 1 cover a number of areas as follows:
- 4.2 Treasury Management  
The indicators show the actual borrowing and investment rates for 2012/13 and 2013/14 against set targets. All indicators were achieved with the exception of minimal variances against borrowing rates and investment rates.

#### **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. It also shows the pre-audit 2013/14 position.

#### **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 2013/14. Sundry debt and number of days to process creditor payments have exceeded their profile with council tax and business rates collection coming in on or slightly above profile.

#### **4.5 Corporate financial performance**

This section details the outturn position for 2012/13 and pre-audit outturn for 2013/14 for revenue and capital. The pre-audit revenue outturn for 2013/14 is an overspend of £0.71m. This shows a reduction of £1.22m since last reported to Audit Committee in February. 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. General reserves are currently above those required by the medium term financial strategy.

- 4.6 Mainstream capital (funded from the council's own resources) was under budget by £910k and £7.83m of projects have been re-phased into 2014/15 due to unavoidable delays. This equates to the £8.74m variance in the table. Prudential borrowing also has £3.59m of re-phasing into 2014/15. There is a further £30.66m of capital grant funded projects to be re-phased into 2014/15, of which £12.5m relates to schools and £11.5m of major regeneration schemes. These schemes tend to require carry forward due to the timing of the receipt of the grant versus the actual spend, which in school's is often during the next summer of the next financial year. Capital receipts were under target by £719k.

### **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 year-end position was amber to reflect an overspend but improved position.
- 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

<b>Treasury Management</b>	<b>2012/13 Actual</b>	<b>2013/14 Target</b>	<b>2013/14 Actual</b>
Average Interest Rate (Borrowing)			
- Excluding OLA	4.53%	4.52%	4.60%
- Including OLA	4.67%	4.63%	4.73%
Gearing Effect on Capital Financing Estimates	2.00%	5.00%	1.23%
Net Borrowing Costs / Tax Requirement	4.9%	6.50%	5.8%
Capital Financing Requirement (£m)	299.452	319.279	300.528
Authorised limit for external Debt (£m)	319.724	351.207	351.207
Investment Rate Average	2.1%	1.0%	1.2%

<b>Balance Sheet Ratios</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13 (post - audit)</b>	<b>2013/14 (pre-audit)</b>
Current Assets : Current Liabilities	2.28	2.70	2.70	2.83
Useable Reserves : General Revenue Expenditure	0.29	0.49	0.59	0.53
Long Term Borrowing : Tax Revenue (Using both council tax and NNDR for tax revenue)	1.25	1.25	1.13	1.71
Long Term Assets : Long Term Borrowing	1.83	1.89	1.84	1.87
Total School Reserves : Dedicated School Grant	0.06	0.07	0.08	0.09

<b>Revenues Performance</b> % collected for financial year	<b>2011/12 Actual Collected in total @ 31.03.14</b>	<b>2012/13 Actual Collected in total @ 31.03.14</b>	<b>2013/14</b>	
			<b>Profiled</b>	<b>Actual</b>
Council tax %	98.6%	98.1%	96.0%	96.0%
National Non Domestic Rate %	98.1%	97.8%	96.6%	96.9%
Total Council Tax collected (£m)	£90,506,782	£90,708,414	£92,788,122	£92,788,122
Total NNDR collected (£m)	£64,926,580	£66,945,238	£68,523,447	£68,709,827

<b>Debtors and Creditors Performance</b>	<b>2012/13 Actual</b>	<b>2013/14</b>	
		<b>Profiled</b>	<b>Actual</b>
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	12.47 days

<b>Management of Resources</b>	<b>Actual 2012/13</b>	<b>2013/14 Pre- Audit</b>		
<b>Service Analysis</b>	<b>Post-audit</b>	<b>Target</b>	<b>Actual</b>	<b>Variance</b>
Children's Services	52,613,725	73,251,891	75,628,617	2,376,726
Neighbourhood Services	60,547,614	58,988,307	58,807,949	(180,358)
Regeneration	17,280,082	18,283,582	18,589,664	306,082
Social Care & Inclusion	67,500,397	72,144,436	72,583,775	439,339
Resources	7,798,112	11,688,769	12,390,834	702,065
Council Wide	31,177,268	14,222,501	11,286,426	(2,936,075)
RSG/NNDR	(129,164,992)	(163,027,571)	(163,027,571)	0
<b>Total</b>	<b>107,752,206</b>	<b>85,551,915</b>	<b>86,259,694</b>	<b>707,779</b>
General Reserves	<b>16,611,535</b>	<b>Minimum £6.3m Maximum £12.5m</b>	<b>14,865,489</b>	<b>N/A</b>
Council Funded Capital Expenditure	15,568,567	20,694,662	11,958,013	(8,736,649)
Grant Funded Capital Expenditure	31,719,243	56,365,039	25,708,024	(30,657,015)
Prudential Expenditure	4,874,928	5,788,467	2,199,207	(3,589,260)
<b>Total Capital Expenditure</b>	<b>52,162,738</b>	<b>82,848,168</b>	<b>39,865,244</b>	<b>(42,982,924)</b>
Capital Receipts	3,239,165	1,500,000	781,250	(718,750)

## 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.

<b>Revenues Performance</b>	
<b>% Collected for Financial Year</b>	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.

<b>Management of Resources</b>	
<b>Service Analysis</b>	
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.