

Audit Committee – 22 February 2016

Financial Health Indicators 2015/16 and Medium Term Financial Strategy and Capital Strategy Update

1. Summary of report

- 1.1 This report details the financial health indicators for the third quarter of the year (to 31 December 2015) as shown at **Appendix 1** including the current year end forecast position for both revenue and capital as at as at 31 December 2015.

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), 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 2014/15 and the forecast for 2015/16 against set targets. Most indicators are forecast to be achieved with positive variances against net borrowing cost.

4.3 Balance Sheet

This details ratios for the last 3 financial years 2012/13, 2013/14 and 2014/15 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.

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 2014/15 and the quarterly performance against profile for 2015/16.

Sundry debt collection has exceeded the profile by 6 days with the number of days to process creditor payments being on target. Council tax and business rates collection were both as per profile.

4.5 Corporate financial performance

This section details the outturn position for 2014/15 (pre-audit) and 2015/16 year-end forecast for revenue and capital, which is based on the financial position as at 31 December 2015.

The current revenue forecast for 2015/16 is an overspend of £161k after use of reserves and assuming successful delivery of corrective action plans (£1.74m) 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 £1.72m and £2.24m of projects have been re-phased into 2016/17 due to unavoidable delays. This equates to the £3.96m variance in the table. The £1.72m will be utilised to fund the capital programme for 2016/17. Prudential borrowing also has £64k of re-phasing into 2016/17. There is a further £4.3m of capital grant funded projects to be re-phased into 2016/17. Capital receipts are expected to over achieve by £701k, which will be used to support future year's capital programmes.

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 green (to reflect position being almost on budget) 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

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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 3 2015/16

Treasury Management	2014/15 Actual	2015/16 Target	2015/16 Actual
Average Interest Rate (Borrowing)	4.60%	4.60%	4.56%
- Excluding OLA	4.73%	4.73%	4.70%
- Including OLA			
Gearing Effect on Capital Financing Estimates	1.0%	5.0%	1.07%
Net Borrowing Costs / Council Tax Requirement and NNDR contribution	13.4%	13.5%	11.57%
Capital Financing Requirement (£m)	306.084	325.077	306.083
Authorised limit for external Debt (£m)	349.022	357.585	357.585
Investment Rate Average	1.17%	1.10%	1.13%

Balance Sheet Ratios	2012/13	2013/14	2014/15
Current Assets : Current Liabilities	2.70	2.75	2.45
Useable Reserves : General Revenue Expenditure	0.59	0.53	0.67
Long Term Borrowing : Tax Revenue (Using both council tax and NNDR for tax revenue)	1.13	1.71	1.69
Long Term Assets : Long Term Borrowing	1.84	1.98	2.10
Total School Reserves : Dedicated School Grant	0.08	0.09	0.09

Revenues Performance % collected for financial year	2013/14 Actual Collected in total @ 31.12.15	2014/15 Actual Collected in total @ 30.12.15	2015/16	
			Profiled 2015/16	Actual 2015/16
Council tax %	98.1	97.3	78.00%	78.10%
Total Council Tax collected (£m)	94,971,598	96,577,371	84,400,000	84,568,779
National Non Domestic Rate %	98.8	98.1	83.00%	83.00%
Total NNDR collected (£m)	67,368,408	67,595,398	59,200,000	59,245,918

Debtors and Creditors Performance	2014/15 Actual	2015/16	
		Profiled Qtr	Actual Qtr
Sundry Debtors Collection – Average number of days to collect debt	25 days	30 days	24 days
Average number of days to process creditor payments*	12 days	14 days	15 days

Management of Resources	2015/16 (budget for monitoring)		
Service Analysis	Target	Actual	Variance
Children's Services	45,143,174	45,143,174	0
Economy and Environment	37,818,539	36,603,526	(1,215,013)
Adult Social Care	54,535,117	56,340,067	1,804,950
Change and Governance	30,278,219	29,945,798	(332,421)
Council Wide	49,416,851	49,320,627	(96,224)
RSG/NNDR	(123,488,933)	(123,488,933)	0
Total	93,702,967	93,864,258	161,291
General Reserves	Minimum £6.3m Maximum £12.5m	N/A	N/A
Council Funded Capital Expenditure	17,447,729	13,492,071	(3,955,658)
Grant Funded Capital Expenditure	66,383,480	62,052,429	(4,331,051)
Prudential Expenditure	19,162,959	19,098,469	(64,490)
Total Capital Expenditure	102,994,168	94,642,969	(8,351,199)
Capital Receipts	1,475,000	774,227	700,773

Management of Resources	Actual 2014/15 Post-audit		
Service Analysis	Target	Actual	Variance
Children's Services	60,704,177	63,297,898	2,593,721
Economy and Environment	63,081,398	62,488,834	(592,564)
Adult Social Care	64,767,330	66,489,200	1,721,870
Change and Governance	13,846,156	12,435,743	(1,410,413)
Council Wide	30,816,695	30,142,545	(674,150)
RSG/NNDR	(146,452,135)	(146,452,135)	0
Total	86,763,621	88,402,085	1,638,464
General Reserves	Minimum £6.3m Maximum £12.6m	11,515,340	N/A
Council Funded Capital Expenditure	20,682,481	15,057,702	(5,624,779)
Grant Funded Capital Expenditure	29,940,511	22,274,139	(7,666,372)
Prudential Expenditure	10,074,261	8,092,584	(1,981,677)
Total Capital Expenditure	60,697,253	45,424,425	(15,272,828)
Capital Receipts	2,220,000	3,532,888	1,312,888

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.