

Audit Committee – 20 July 2015

Financial Health Indicators 2014/15

1. Summary of report

- 1.1 This report details the financial health indicators for the year ending 31 March 2015 as shown at Appendix 1 including the pre-audit year end outturn position for both revenue and capital.

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 also for 2014/15 against set targets. All indicators in 2014/15 were achieved with positive variances against net borrowing cost and investment rates and an underspend against budget.

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 for both 2013/14 and 2014/15, the average number of days to collect sundry debt and the number of days to process creditor payments for 2013/14 and the final quarter performance

against profile for 2014/15. Sundry debt exceeded their profile with average days to process creditor payments matched target. Business rates collection came in marginally over achieved and council tax collection marginally under achieved.

4.5 Corporate financial performance

This section details the final audited outturn position for 2013/14 and pre-audit outturn for 2014/15 (31 March 2015) for revenue and capital. The overall pre-audit net revenue outturn is £88.40m against a budget of £86.76m, an overspend variance of £1.64m (0.26% of gross expenditure) net of approved carry forwards of £696k.

Council funded pre-audit capital outturn is a net underspend of £350k, net of carry forwards of £5.27m re-phased into 2015/16 due to unavoidable delays. This equates to the £5.62m variance in the table. Prudential borrowing also has £1.98m of re-phasing into 2015/16. There is a further £7.67m of capital grant funded projects to be re-phased into 2015/16. Capital receipts were over achieved by £1.38m, 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 final position is red (to reflect an overspending position) due to the pre-audit 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.

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
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07 July 2015

Financial Health Indicators – Qtr 4 March 2015

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%	1.0%
Net Borrowing Costs / Tax Requirement	5.8%	6.2%	5.7%
Capital Financing Requirement (£m)	300.990	317.293	306.084
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 @ 31.03.15	2013/14 Actual Collected in total @ 31.03.15	2014/15	
			Profiled 2014/15	Actual 2014/15
Council tax %	98.5	97.7	95.7	95.6
Total Council Tax collected (£m)	91,088,177	94,467,903	94,850,000	94,711,840
National Non Domestic Rate %	98.6	97.8	97	97.1
Total NNDR collected (£m)	66,705,823	68,212,922	68,100,000	68,168,227

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	14 days (now includes schools)

Management of Resources	Actual 2013/14	2014/15 Actual (pre-audit)		
		Target	Actual	Variance
Service Analysis	Post-audit			
Children's Services	75,628,617	60,704,177	63,329,024	2,624,847
Neighbourhood Services	58,807,949	54,617,420	54,180,334	(437,086)
Regeneration	18,589,664	8,463,978	8,308,500	(155,478)
Social Care & Inclusion	72,583,775	64,767,330	66,489,200	1,721,870
Resources	12,390,834	13,846,156	12,435,743	(1,410,413)
Council Wide	11,286,426	30,816,695	30,110,098	(706,597)
RSG/NNDR	(163,027,571)	(146,452,135)	(146,452,135)	0
Total	86,259,694	86,763,621	88,400,764	1,637,143
General Reserves	14,865,489	Minimum £6.3m Maximum £12.5m	11,515,340	N/A
Council Funded Capital Expenditure	11,958,013	20,682,481	15,057,702	(5,624,779)
Grant Funded Capital Expenditure	25,708,024	29,940,516	22,274,139	(7,666,377)
Prudential Expenditure	2,199,207	10,074,261	8,092,584	(1,981,677)
Total Capital Expenditure	39,865,244	60,697,258	45,424,425	(15,272,833)
Capital Receipts	781,250	2,220,000	3,600,888	1,380,888

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 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.