

## **Audit Committee – 25 February 2013**

### **Financial Health Indicators 2012/13**

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

- 1.1 This report details the financial health indicators for the third quarter of the year (to 31 December 2012) as shown at **Appendix 1** including the current year end forecast position for 2012/13 for both revenue and capital.

#### **2. Recommendations**

Audit Committee is requested to note the financial health indicators.



James Walsh  
Chief Finance Officer

#### **3. Governance**

- 3.1 Financial health indicators are currently reported on a quarterly basis to the Chief Finance Officer, CMT and Audit Committee and published on the council's website for transparency.
- 3.2 Corporate financial performance is reported to Cabinet throughout the financial year. Scrutiny panels and Audit Committee 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 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 2011/12 and the forecast for 2012/13 against set targets. All indicators are forecast to be achieved.
- 4.3 Balance Sheet  
This details ratios for the last 3 financial years 2009/10 to 2011/12 which shows the liquidity of the authority.

#### 4.4 Revenue performance

This section shows collection rates for council tax and business rates, average number of days to collect sundry debt and the number of days to process creditor payments for 2011/12 and the quarterly performance against profile for 2012/13. All have exceeded their profile, representing improved performance.

#### 4.5 Corporate financial performance

This section details the actual outturn position for 2011/12 and 2012/13 year-end forecast for revenue and capital, which is based on the financial position for the third quarter of the year (to 1 December 2012). The current forecasts show a projected revenue underspend of c£1.37m. Mainstream (funded from the council's own resources) is expected to be under budget by £1.45m and £5.22m of projects have been re-phased into 2013/14 due to unavoidable delays. This equates to the £6.67m variance in the table. Prudential borrowing also has £1.37m re-phasing into 2013/14. There is also a further £27.18m of capital grant funded projects to be re-phased into 2013/14. Capital receipts expected to exceed target by £670k which will be used to fund the 2013/14 capital programme. General reserves are currently in line with the medium term financial strategy.

### 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 but senior managers are tasked with reviewing this as part of directorate action plans to mitigate any 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 and budget monitoring reports.

### **Contacts**

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### Financial Health Indicators

<b>Treasury Management</b>	<b>2011/12 Actual</b>	<b>2012/13 Target</b>	<b>2012/13 Forecast</b>
Average Interest Rate (Borrowing)			
- Excluding Other LA	4.53%	4.52%	4.53%
- Including Other LA	4.69%	4.63%	4.66%
Gearing Effect on Capital Financing Estimates	3%	5%	2%
Net Borrowing Costs / Net Budget Requirement	4%	4%	3%
Capital Financing Requirement £m	293.247	304.499	299.452
Authorised limit for external Debt (£m)	373.73	319.724	319.724
Investment Rate Average	1.8%	1.3%	2.2%

<b>Balance Sheet Ratios</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12 (post-audit)</b>
Current Assets : Current Liabilities	1.22	2.28	2.70
Useable Reserves : General Revenue Expenditure			
Assuming Revenue Expenditure is equal to Net Operating Expenditure (2008/09)	0.28	0.29	0.49
IFRS introduction in 2009/10 changes general revenue expenditure to = net cost of service + other operating expenditure + finance and investment expenditure (2009/10 and 2010/11)			
Long Term Borrowing : Tax Revenue			
Using only council tax for tax revenue	2.58	2.63	2.45
Using both council tax and NNDR for tax revenue	1.26	1.25	1.25
Long Term Assets : Long Term Borrowing	2.85	1.83	1.89
Total School Reserves : Dedicated School Grant	0.06	0.06	0.07

<b>Revenues Performance</b>	<b>Actual 2011/12</b>	<b>2012/13</b>	
<b>% Collected for Financial Year</b>		<b>Profiled Qtr</b>	<b>Actual</b>
Council Tax %	97.1%	81%	81.2%
National Non Domestic Rate %	97.3%	86%	86.9%
Total Council Tax Collected (£m)	£89,200,617	£75,140,000	£75,327,965
Total NNDR Collected (£m)	£65,789,403	£59,925,000	£60,554,787
Sundry Debtors Collection Average number of days to collect debt	27 days	30 days	25 days
Average number of days to process creditors payments	13.35 days	14 days	12.20 days

<b>Management of Resources</b>	<b>Actual 2011/12</b>	<b>2012/13</b> (budget for monitoring)		
<b>Service Analysis</b>	<b>Post-audit</b>	<b>Target</b>	<b>Forecast</b>	<b>Variance</b>
Children's Services	75,624,678	42,825,688	43,601,933	776,245
Neighbourhood Services	64,696,154	45,653,219	45,695,192	41,973
Regeneration	15,461,631	8,994,787	8,776,388	(218,399)
Social Care & Inclusion	72,895,813	62,205,277	62,606,492	401,215
Resources	3,022,328	28,220,538	27,263,192	(957,346)
Council Wide	13,807,829	50,511,089	49,093,385	(1,417,704)
Formula Grant	N/A	(129,164,992)	(129,164,992)	0
<b>Total</b>	<b>245,508,433</b>	<b>109,245,606</b>	<b>107,871,590</b>	<b>(1,374,016)</b>
<b>General Reserves</b>	<b>12,617,667</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
Council funded Capital Expenditure	18,698,647	22,614,987	15,947,309	6,667,678
Grant Funded Capital Expenditure	41,352,358	65,450,099	38,268,817	27,181,282
Prudential Expenditure	967,934	6,610,121	5,238,676	1,371,445
<b>Total Capital Expenditure</b>	<b>61,018,939</b>	<b>94,675,207</b>	<b>59,454,802</b>	<b>35,220,405</b>
<b>Capital Receipts</b>	<b>2,092,660</b>	<b>2,500,000</b>	<b>3,170,000</b>	<b>(670,000)</b>