

**Audit Committee – 14 November 2011**

**Financial Health Indicators 2011/12**

**1. Summary of report**

- 1.1 This report details the financial health indicators for the second quarter of the year (to 30 September 2011) as shown at **Appendix 1** including the current year end forecast position for 2011/12 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 2010/11 and the forecast for 2011/12 against set targets. All indicators are forecast to be achieved.
- 4.3 Balance Sheet  
This details ratios for the last 3 financial years 2008/09 to 2010/11 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 2010/11 and the quarterly performance against profile. All have exceeded the profiled rates.

#### 4.4 Corporate financial performance

This section details the actual outturn position for 2010/11 and 2011/12 year-end forecast for revenue and capital, which is based on the financial position for the second quarter of the year (to 30 September 2011). The current forecasts show a small projected revenue underspend of £130k. Capital is also expected to be under budget by £369k and £1.163m of projects have been rephased into 2012/13 due to unavoidable delays. A small shortfall is currently predicted for capital receipts but this is actively being managed. 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 amber 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**

Vicky Buckley – Head of Corporate Finance,

☎ 01922.652349, [buckleyv@walsall.gov.uk](mailto:buckleyv@walsall.gov.uk)

Jennie Collier – Senior Accountant

Appendix 1

Treasury Management	2010/11 Actual	2011/12 Target	2011/12 Forecast	RAG
Average Interest Rate (Borrowing)				<b>G</b>
- Excluding OLA	4.55%	4.54%	4.54%	
- Including OLA	4.69%	4.73%	4.68%	
Gearing Effect on Capital Financing Estimates	1.94%	5.00%	3.80%	<b>G</b>
Unsupported Borrowing/Net Revenue	3.57%	4.00%	3.70%	<b>G</b>
Capital Financing Requirement £m	£280.737	£326.255	£326.255	<b>G</b>
Authorised limit for external Debt (£m)	£353.047	£373.730	£373.730	<b>G</b>
Investment Rate Average	1.82%	1.70%	1.87%	<b>G</b>

Balance Sheet Ratios	2008/09	2009/10	2010/11
Current Assets : Current Liabilities	1.76	1.18	2.16
Useable Reserves : General Revenue Expenditure			
Assuming Revenue Expenditure is equal to Net Operating Expenditure	0.11	0.28	0.29
Long Term Borrowing : Tax Revenue			
Using only council tax for tax revenue	2.67	2.54	2.60
Using both council tax and NNDR for tax revenue	1.24	1.24	1.23
Long Term Borrowing : Long Term Assets	2.95	2.89	1.88
Total School Reserves : Dedicated School Grant	0.06	0.06	0.06

Revenues Performance	Actual 2010/11	2011/12		RAG
		Profiled Qtr	Actual	
% Collected for Financial Year				
Council Tax %	97.3%	54.5%	55.1%	G
National Non Domestic Rate %	98.4%	59.0%	60.0%	G
Total Council Tax Collected	£88.663m	£50.210m	£50.763m	G
Total NNDR Collected	£64.267m	£39.836m	£40.511m	G
Sundry Debtors Collection (no of days)	26 days	30 days	26 days	G
Average number of days to process creditors payments	13.93 days	14 days	13.59 days	G

Management of Resources	Actual 2010/11	2011/12 (budget for monitoring)		RAG
		Post-audit	Target	
Service Analysis				
Children's Services	115,124,515	42,113,266	41,876,872	G
Neighbourhood Services	72,024,454	45,072,159	45,317,058	A
Regeneration	20,457,947	8,507,627	8,541,198	A
Social Care & Inclusion	79,382,111	66,336,519	66,311,587	G
Resources	-37,501,405	28,862,187	28,728,954	G
Council Wide	-4,405,167	55,196,791	55,182,791	G
<b>Total</b>	<b>245,082,455</b>	<b>246,088,549</b>	<b>245,958,460</b>	<b>G</b>
General Reserves	13,747,792	N/A	13,747,792	
Capital Expenditure	57,186,186	112,513,087	90,336,219	A
Capital Receipts	1,581,528	1,500,000	1,310,702	A