

**Audit Committee – 13 March 2012**

**Financial Health Indicators 2011/12**

**1. Summary of report**

- 1.1 This report details the financial health indicators for the third quarter of the year (to 31 December 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.



**Vicky Buckley, Head of Finance**

**28 February 2012**

**3. Governance**

- 3.1 Financial health indicators are currently reported on a quarterly basis to the Chief Finance Officer, CMT and Audit Committee and are 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. Some have exceeded their profile with just one being marginally below.

#### 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 third quarter of the year (to 31 December 2011). The current forecasts show a projected revenue underspend of c£1.54m. Mainstream capital expenditure is expected to be under budget by £1.27m and £2.80m of projects have been re-phased into 2012/13, resulting in a total variance against budget of £4.07m. There is also a further £27.15m of capital grant funded projects to be finalised in 2012/13. Capital receipts are expected to be over achieved by £798k which will be used to fund capital expenditure in 2012/13. 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**

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<b>Treasury Management</b>	<b>2010/11 Actual</b>	<b>2011/12 Target</b>	<b>2011/12 Forecast</b>	<b>RAG</b>
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>
Net Borrowing Costs / Net Budget Requirement	3.57%	4.00%	3.66%	<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%	1.95%	<b>G</b>

<b>Balance Sheet Ratios</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	
Current Assets : Current Liabilities	1.87	1.22	2.28	
Useable Reserves : General Revenue Expenditure				
Assuming Revenue Expenditure is equal to Net Operating Expenditure (2008/09)	0.24	0.28	0.29	
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	2.69	2.58	2.63	
Using both council tax and NNDR for tax revenue	1.26	1.26	1.25	
Long Term Assets : Long Term Borrowing	2.91	2.85	1.83	
Total School Reserves : Dedicated School Grant	0.07	0.06	0.06	
<b>Revenues</b>	<b>Actual</b>	<b>2011/12</b>		<b>RAG</b>

<b>Performance</b>	<b>2010/11</b>			
<b>% Collected for Financial Year</b>		<b>Profiled Qtr</b>	<b>Actual</b>	
Council Tax %	97.3%	81.0%	81.8%	<b>G</b>
National Non Domestic Rate %	98.4%	86.0%	85.9%	<b>G</b>
Total Council Tax Collected (£m)	£88.663m	£74.554m	£75.290m	<b>G</b>
Total NNDR Collected (£m)	£64.267m	£58.528m	£58.460m	
Sundry Debtors Collection Average number of days to collect debt	26 days	30 days	26 days	<b>G</b>
Average number of days to process creditors payments	13.93 days	14 days	12.33 days	<b>G</b>

<b>Management of Resources</b>	<b>Actual 2010/11</b>	<b>2011/12</b> (budget for monitoring)			
<b>Service Analysis</b>	<b>Post-audit</b>	<b>Target</b>	<b>Forecast</b>	<b>Variance</b>	<b>RAG</b>
Children's Services	115,124,515	42,179,948	41,593,953	(585,995)	<b>G</b>
Neighbourhood Services	72,024,454	45,482,261	45,329,970	(152,291)	<b>G</b>
Regeneration	20,457,947	8,898,005	8,489,283	(408,722)	<b>G</b>
Social Care & Inclusion	79,382,111	65,922,396	65,911,786	(10,610)	<b>G</b>
Resources	(37,501,405)	28,366,760	27,982,359	(384,401)	<b>G</b>
Council Wide	(4,405,167)	55,239,179	55,243,837	4,658	<b>G</b>
<b>Total</b>	<b>245,082,455</b>	<b>246,088,549</b>	<b>244,551,188</b>	<b>(1,537,361)</b>	<b>G</b>
General Reserves	13,747,792	N/A	13,747,792	N/A	
Mainstream Capital Expenditure	(13,339,567)	31,163,856	27,095,247	(4,068,609)	<b>G</b>
Grant Funded Capital Expenditure	44,180,728	76,733,427	49,586,292	(27,147,135)	<b>G</b>
Prudential Expenditure	1,245,655	4,167,116	2,609,967	(1,557,149)	<b>G</b>
Capital Receipts	1,581,528	1,964,472	2,762,738	(798,266)	<b>G</b>