

Audit Committee – 27 June 2016

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

1. Summary of report

This report details the financial health indicators for the year ending 31 March 2016 as shown at Appendix 1 including the pre-audit year end outturn position for both revenue and capital. The report also includes the annual update to the medium term financial strategy (MTFS) and capital strategy.

2. Recommendations

2.1 To note the financial health indicators.

2.2 To note the changes to the medium term financial strategy (MTFS) and capital strategy; the framework within which the council's financial planning and management is undertaken.

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 2015/16 and also for 2014/15 against set targets. The indicators show strong treasury management performance for 2015/16 with all indicators being achieved.

4.3 Balance Sheet

This details ratios for the last 3 financial years 2012/13, 2013/14 and 2014/15 and pre-audit figures for 2015/16 which show the liquidity of the authority. The figures show strong balance sheet performance.

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 quarterly performance against profile for 2015/16.

The indicators show strong sundry debtor collection rates, showing an average of 21 days in the final quarter of 2015/16 to collect debt. The overall average number of days for the year is 23 days. Strong creditor performance, showing an average of 14 days in the final quarter of 2015/16 to pay creditor invoices. The overall average number of days for the year is 15 days. Council tax and business rate collection rates are as expected.

4.5 Corporate financial performance

This section details the outturn position for 2014/15 and 2015/16 (pre-audit) for revenue and capital as at 31 March each year.

The pre-audit revenue outturn for 2015/16 is an underspend of £701k after use of and transfer to reserves, and approved carry forward into 2016/17 of £703k.

The pre-audit capital programme for 2015/16 has unspent allocations of £17.92m. Of this, £16.19m has been approved for carry forward into 2016/17, resulting in an adjusted underspend of £1.73m. The underspend has arisen on council funded schemes and will be used to support the 2016/17 capital programme as approved by Council in February 2016. The variance in capital receipts to target is explained by a timing issue, with a large receipt arriving in April rather than March as originally planned.

4.6 Changes to Medium Term Financial Strategy (MTFS) and Capital Strategy

Best practice financial management requires an MTFS and Capital Strategy which is regularly updated to take into account the changing environment within which we work.

The MTFS has been updated to reflect the following:

- Reference to the Corporate Plan as approved by Council on 25 February 2016, and its contents regarding council priorities. It is recognised that this will change again once the new Administration have updated the Plan to reflect their own priorities.
- Reference to the Corporate Risk Management Strategy as approved by Audit Committee on 18 April 2016.
- Updated national policy, financial context and the medium term financial outlook, following approval of the 2016/17 budget by Council on 25 February 2016.

The Capital Strategy has been updated to reflect the following:

- Reference to the Corporate Plan as approved by Council on 25 February 2016, and its contents regarding council priorities. It is recognised that this will change again once the new Administration have updated the Plan to reflect their own priorities.
- Reference to approved capital schemes currently in progress.
- New guidance on the use of capital receipts.

The revised MTFs and Capital Strategy are attached electronically to this report on the Council's Committee Management Information System webpage should members wish to refer to the full documents.

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 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.

8. Background papers

- 8.1 Various financial performance, treasury management and budget monitoring reports.



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Financial Health Indicators 2015/16

Treasury Management	2014/15 Actual	2015/16 Target	2015/16 Actual
Average Interest Rate (Borrowing)	4.60%	4.60%	4.43%
- Excluding OLA	4.73%	4.73%	4.54%
- Including OLA			
Gearing Effect on Capital Financing Estimates	1.0%	5.0%	3.51%
Net Borrowing Costs / Council Tax Requirement and NNDR contribution	13.4%	13.5%	10.67%
Capital Financing Requirement (£m)	Restated 310.335	Restated 329.209	328.018
Authorised limit for external Debt (£m)	349.022	357.585	357.585
Investment Rate Average	1.17%	1.10%	1.29%

Balance Sheet Ratios	2012/13	2013/14	2014/15	2015/16 (pre-audit)
Current Assets : Current Liabilities	2.70	2.75	2.44	1.74
Useable Reserves : General Revenue Expenditure	0.58	0.53	0.66	0.57
Long Term Borrowing : Tax Revenue (Using both council tax and NNDR for tax revenue)	1.13	1.71	1.69	1.45
Long Term Assets : Long Term Borrowing	1.84	1.98	2.10	2.28
Total School Reserves : Dedicated School Grant	0.08	0.09	0.09	0.07

Revenues Performance % collected for financial year	2013/14 Actual Collected in total @ 31.03.16	2014/15 Actual Collected in total @ 31.03.16	2015/16	
			Profiled 2015/16	Actual 2015/16
Council tax %	98.3	97.6	94.00%	94.40%
Total Council Tax collected (£m)	95,088,664	96,862,936	101,800,000	102,255,690
National Non Domestic Rate %	98.8	98.1	97.30%	97.70%
Total NNDR collected (£m)	67,261,657	67,482,819	69,200,000	69,498,061

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	21 days
Average number of days to process creditor payments	12 days	14 days	14 days

Management of Resources	2015/16		
Service Analysis	Target	Actual	Variance
Children's Services	53,698,003	53,742,526	44,523
Economy and Environment	55,355,991	54,051,088	(1,304,903)
Adult Social Care	58,673,335	60,405,244	1,731,909
Change and Governance	19,551,989	19,772,647	220,658
Council Wide	29,912,582	28,519,505	(1,393,077)
RSG/NNDR	(123,488,933)	(123,488,933)	0
Total	93,702,967	93,022,077	(700,890)
General Reserves	Minimum £6.3m Maximum £12.5m	£14.131m*	N/A
Council Funded Capital Expenditure	17,551,343	10,378,157	(7,173,186)
Grant Funded Capital Expenditure	67,015,433	56,620,208	(10,395,225)
Prudential Expenditure	19,162,959	18,811,350	(351,609)
Total Capital Expenditure	103,729,735	85,809,715	(17,920,020)
Capital Receipts	1,475,000	197,727	1,277,273

*Opening reserves for 2016/17 will be £13.532m after use of reserves within the Budget approved by Council in February 2016.

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.