

**Audit Committee – 24 September 2014**

**Financial Health Indicators 2014/15**

**1. Summary of report**

- 1.1 This report details the financial health indicators for the first quarter of the year (to 30 June 2014) as shown at **Appendix 1** including the current year end forecast position for both revenue and capital as at 31 July 2014.

**2. Recommendations**

- 2.1 Audit Committee is requested to consider and note the financial health indicators.



James Walsh  
Chief Finance Officer

**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 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 2013/14 and the forecast for 2014/15 against set targets. All indicators are forecast to be achieved with minimal positive variances against net borrowing cost and investment rates. An underspend against budget is currently forecast.
- 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 balances are subject to the completion of the external

audit. 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, the average number of days to collect sundry debt and the number of days to process creditor payments for 2013/14 and the quarterly performance against profile for 2014/15. Sundry debt and number of days to process creditor payments have exceeded their profile with council tax and business rates collection coming in marginally over achieved.

#### 4.5 Corporate financial performance

This section details the outturn position for 2013/14 (pre-audit) and 2014/15 year-end forecast for revenue and capital, which is based on the financial position as at 31 July 2014. The current revenue forecast for 2014/15 is an overspend of £1.58m. The council, similar to many others, is facing significant financial pressures and an increase in demand for certain services. As a result, this is now translating into some significant cost pressures, particularly within Children's services and Adult Social Care. Actions plans are in place and corrective action is being taken to mitigate the pressures. Mainstream capital (funded from the council's own resources) is expected to be under budget by £306k. Capital receipts are expected to over achieve by £961k.

### 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 (to reflect an overspending position) due to the forecast revenue outturn and senior managers are required to review this as part of directorate action plans to mitigate 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, treasury management and budget monitoring reports.

#### **Contacts**

Vicky Buckley – Head of Finance, ☎ 01922.652326, [buckleyv@walsall.gov.uk](mailto:buckleyv@walsall.gov.uk)

Jennie Collier – Senior Accountancy Officer, ☎ 01922.652350, [collier@walsall.gov.uk](mailto:collier@walsall.gov.uk)

## Financial Health Indicators

<b>Treasury Management</b>	<b>2013/14 Actual</b>	<b>2014/15 Target</b>	<b>2014/15 Actual</b>
Average Interest Rate (Borrowing)			
- Excluding OLA	4.60%	4.60%	4.60%
- Including OLA	4.73%	4.73%	4.73%
Gearing Effect on Capital Financing Estimates	1.23%	5.0%	1.2%
Net Borrowing Costs / Tax Requirement	5.8%	6.2%	5.9%
Capital Financing Requirement (£m)	301.750	317.293	301.750
Authorised limit for external Debt (£m)	351.207	349.022	349.022
Investment Rate Average	1.2%	0.9%	1.1%

<b>Balance Sheet Ratios</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14 (pre-audit)</b>
Current Assets : Current Liabilities	2.70	2.70	2.83
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

<b>Revenues Performance</b> % collected for financial year	<b>2012/13 Actual Collected in total @ 30.06.14</b>	<b>2013/14 Actual Collected in total @ 30.06.14</b>	<b>2014/15</b>	
			<b>Profiled Qtr</b>	<b>Actual Qtr</b>
Council tax %	98.2	96.8	27.3	27.3
National Non Domestic Rate %	90,833,235	93,507,820	27,000,000	27,012,426
Total Council Tax collected (£m)	98.5	97.3	31.6	31.8
Total NNDR collected (£m)	67,603,082	68,590,958	22,500,000	22,698,301

<b>Debtors and Creditors Performance</b>	<b>2013/14 Actual</b>	<b>2014/15</b>	
		<b>Profiled Qtr</b>	<b>Actual Qtr</b>
Sundry Debtors Collection – Average number of days to collect debt	26 days	30 days	24 days
Average number of days to process creditor payments	12.47 days	14 days	10 days

<b>Management of Resources</b>	<b>Actual 2013/14</b>	<b>2014/15 (budget for monitoring)</b>		
<b>Service Analysis</b>	<b>Pre-audit</b>	<b>Target</b>	<b>Actual</b>	<b>Variance</b>
Children's Services	75,628,617	48,974,424	50,147,187	1,172,763
Neighbourhood Services	58,807,949	41,212,295	41,168,217	(44,078)
Regeneration	18,589,664	5,595,870	5,596,109	239
Social Care & Inclusion	72,583,775	60,748,165	61,845,847	1,097,682
Resources	12,390,834	22,669,030	22,546,508	(122,522)
Council Wide	11,286,426	54,015,972	53,490,250	(525,722)
RSG/NNDR	(163,027,571)	(146,452,135)	(146,452,135)	0
<b>Total</b>	<b>86,259,694</b>	<b>86,763,621</b>	<b>88,341,983</b>	<b>1,578,362</b>
General Reserves	<b>14,865,489</b>	<b>Minimum £6.3m Maximum £12.5m</b>	<b>N/A</b>	<b>N/A</b>
Council Funded Capital Expenditure	11,958,013	19,546,671	19,240,259	306,412
Grant Funded Capital Expenditure	25,708,024	29,361,395	29,361,395	0
Prudential Expenditure	2,199,207	7,173,984	7,173,984	0
<b>Total Capital Expenditure</b>	<b>39,865,244</b>	<b>56,082,050</b>	<b>55,775,638</b>	<b>306,412</b>
Capital Receipts	781,250	2,220,000	3,181,380	961,380

## What this tells us

<b>Treasury Management</b>	
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.

<b>Balance Sheet Ratios</b>	
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.

<b>Revenues Performance</b>	
<b>% Collected for Financial Year</b>	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.

<b>Management of Resources</b>	
<b>Service Analysis</b>	
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.