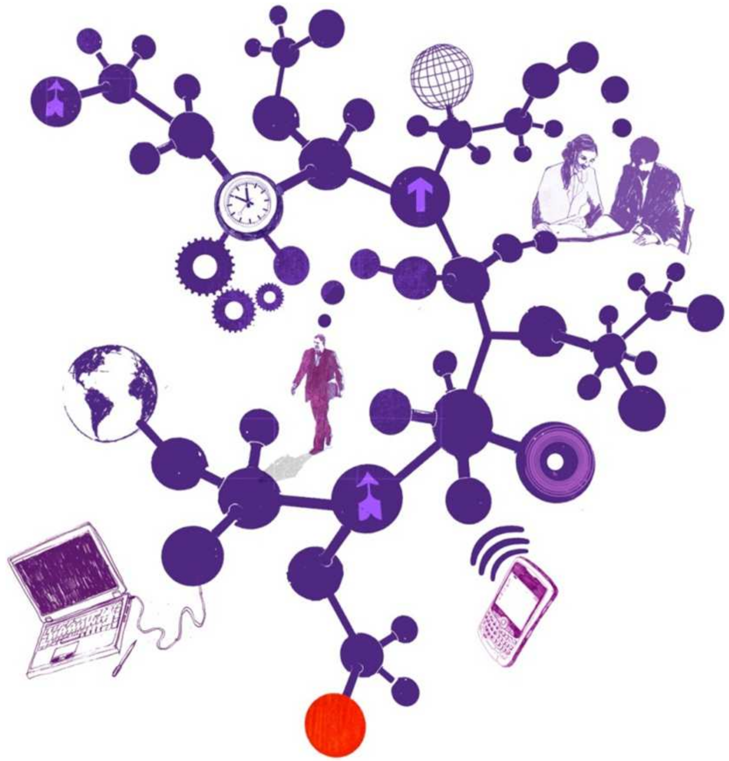
Review of the Council's Arrangements for Securing Financial Resilience for Ribble Valley Borough Council

Year ended 31 March 2013

28 August 2013



Karen Murray
Engagement Lead
T 0161 234 6364
E karen.l.murray@uk.gt.com

Georgia Jones
Manager
T 0161 214 6383
E georgia.s.jones@uk.gt.com

Helen Palmer
In Charge Auditor
T 0161 234 6360
E helen.c.palmer@uk.gt.com

Contents

Executive Summary

Our approach

Value for Money Conclusion

Our work supporting our Value for Money (VfM) conclusion, as part of the statutory external audit, includes a review to determine if the Council has proper arrangements in place for securing financial resilience.

In so doing we have considered whether the Council has robust financial systems and processes in place to manage its financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future. We have carried out our work in discussion and agreement with officers and completed it in such a way as to minimise disruption to them.

The definition of foreseeable future for the purposes of this financial resilience review is 12 months from the date of this report.

We have reviewed the financial resilience of the Council by looking at:

- Key indicators of financial performance;
- Its approach to strategic financial planning;
- Its approach to financial governance; and
- Its approach to financial control.

Further detail on each of these areas is provided in the sections of the report that follow. Our overall conclusion is that whilst the Council faces some risks and challenges during 2012/13 and beyond, its current arrangements for achieving financial resilience are adequate.

We have used a red/amber/green (RAG) rating with the following definitions.

Green	**Arrangements meet or exceed adequate standards**. Adequate arrangements identified and key characteristics of good practice appear to be in place.
Amber	**Potential risks and/or weaknesses**. Adequate arrangements and characteristics are in place in some respects, but not all. Evidence that the Council is taking forward areas where arrangements need to be strengthened.
Red	**High risk**: The Council's arrangements are generally inadequate or may have a high risk of not succeeding

Executive Summary

National and Local Context

National Context

The Chancellor of the Exchequer announced the current Spending Review (SR10) to Parliament on 20 October 2010. SR10 represented the largest reductions in public spending since the 1920's. Revenue funding to local government was to reduce by 19% by 2014-15 (excluding schools, fire and police). After allowing for inflation, this equates to a 28% reduction in real terms with local government facing some of the largest cuts in the public sector. In addition, local government funding reductions were frontloaded, with 8% cash reductions in 2011-12. This followed a period of sustained growth in local government spending, which increased by 45% during the period 1997 to 2007.

The Chancellor of the Exchequer, in his Autumn Statement in November 2011, announced further public spending reductions of 0.9% in real terms in both 2015-16 and 2016-17. In his Autumn Statement on 5 December 2012, the Chancellor reinforced austerity measures announcing a further £6.6bn of savings during 2013-14 and 2014-15. Whilst health and schools will be continue to be protected in line with the Government's policy set out in SR10, local government will continue to face significant funding reductions. The Department for Communities and Local Government will contribute £470m of these additional savings, £445m of which will come from local authority funding during 2014-15, with local authorities being exempt from additional savings in 2013-14. In his March 2013 Budget the Chancellor announced a further departmental 1% saving during 13/14 and 14/15. The NHS and schools remain protected, but police and local government will need to find an additional 0.5% over both years.

The next spending review period, 2015-16, was announced by the Chancellor on 26 June 2013. Local government will face a further 10% funding reduction for this period. Theses funding reductions come at a time when demographic and recession based factors are increasing demand for some services, and there is a decreasing demand for some services, such as car parking, where customers pay a fee or charge. Financial austerity is expected to continue until at least 2017.

Local Context

Ribble Valley is a local government district with borough status within county of Lancashire, England. Its council is based in Clitheroe. Other places include Whalley, Longridge and Ribchester. The area is so called due to the River Ribble which flows in its final stages towards its estuary near Preston. The area is popular with tourists who enjoy the area's natural unspoilt beauty, much of which lies within the Forest of Bowland.

The district was formed on 1 April 1974 under the Local Government Act 1972, as a merger of the municipal borough of Clitheroe, Longridge urban district, Clitheroe Rural District, part of Blackburn Rural District, part of Burnley Rural District, and part of Preston Rural District, as well as the Bowland Rural District from the West Riding of Yorkshire.

Unemployment in the area is the low compared to the national and regional averages whilst earnings are above the national average. Ribble Valley is a rural area and tourism and agriculture play an important role in the local economy. The estimated total spent by tourists in Ribble Valley each year is in excess of £19.5 million. and there are around 2,500 jobs in tourism-related businesses. Manufacturing accounts for around 26% of employment within the borough,.

The IMD 2010 provides measures of deprivation at local authority level, ranking the deprivation of 354 local authority districts in England, where 1 is the most deprived and 354 is the least deprived. The average score over a number of indicators for Ribble Valley is 290.

Executive Summary

Overview of Arrangements

Risk area	Summary observations	High level risk assessment
Key Indicators of Performance	• Overall, the Council's level of available reserves and contingencies provide adequate cover for known future financial risks. • In 2012-13 the Council achieved an overall under-spend of £155k. After allowing for transfers to and from earmarked reserves this equates to a £98k under-spend.	Green
Strategic Financial Planning	• The Council achieved its planned £635k of savings in 2012-13. • The Council's revenue budget was set in February 2013, along with an updated three year medium term financial plan (MTFP) for the period 2013-14 to 2015-16. • The MTFP is clearly set out and reflects information from other areas of the business.	Green
Financial Governance	• The Council has a Budget Working Group (BWG) which drives initial budget proposals for review by service committees, Policy and Finance Committee and approval by full Council. • Regular reports to monitor performance against the revenue budget and capital budget are made to the service committees, BWG and Policy and Finance Committee. • There is an appropriate level of senior management and member level engagement in the financial management process.	Green
Financial Control	• The Council has a well established budget setting process and a good track record in managing budgets and achieving savings targets. • The Council has well established systems and procedures for producing reliable financial monitoring and forecasting information.	Green

Executive Summary

Next Steps

Area of review	Key points for consideration	Responsibility	Timescale	Management response
Key Indicators of Performance	The Council should assess its needs in the light of the financial outlook for the medium term and ensure the level of reserves it holds is appropriate.			
Strategic Financial Planning	Given the scale of the challenges the Council faces, the MTFP will need to be responsive and set out clear plans to meet those challenges.			
Financial Governance	Members receive clear financial monitoring reports which will support them in the challenge they will need to provide to officers around the Council's financial position and decision making processes.			
Financial Control	The Council has comprehensive risk management arrangements which support a detailed risk register. The number of risks on the full risk register means it is difficult for members to get an overview of the high level risks that might impact on the Council's strategic objectives. It would be useful if Council members received a summary "Corporate Risk Register" containing only the highest level strategic risks to scrutinise and to consider where these have the greatest potential impact on the Council achieving its overall strategic objectives.			

Key Indicators

Introduction

This section of the report includes analysis of key indicators of financial performance, benchmarked where this data is available. These indicators include:

- Working capital ratio
- Long term borrowing to tax revenue
- Long term borrowing to long term assets
- Sickness absence levels
- Out-turn against budget
- Useable Reserves: Gross Revenue Expenditure

We have used the Audit Commission's statistical nearest neighbours benchmarking group comprising the following authorities:

Rushcliffe Borough Council
Tewkesbury Borough Council
Melton Borough Council
Hambleton District Council
Harborough District Council
Maldon District Council
South Northamptonshire Council
Derbyshire Dales District Council
Craven District Council
West Devon District Council
North Dorset District Council
Mid Devon District Council
Richmondshire District Council
Barbergh District Council
Mid Suffolk District Council

Key Indicators

Overview of performance

Area of focus	Summary observations	Assessment
Liquidity	• The Council's working capital ratio has increased from 1.15 in 2007-08 to 2.35 in 2011-12. There have been year on year increases except in 2010-11 when there was a slight reduction. The working capital ratio indicates if an authority has enough current assets, or resources, to cover its immediate liabilities – i.e. those liabilities to be met over the next twelve month period. It should be noted that a high working capital ratio is not always a good thing; it could indicate that an authority is not effectively investing its excess cash. • The Council's working capital ratio is just below the average when compared to its nearest neighbours, its ratio in 2011-12 being 2.35 compared to an average of 3.77. This demonstrates a prudent but not overly cautious approach to working capital. • There is a mixed picture in terms of the movement in working capital ratios across the nearest neighbours. 10 of the 16 councils have increased their working capital from 2007-08 to 2011-12 whilst 6 have seen a decrease over the same period. Of those councils that have seen their ratio increase, there are large fluctuations in the rate of increase. The Council has seen an increase of 104% (2007-08 ratio of 1.15 to 2011-12 ratio of 2.35) which is positive. • The Council's collection rate for council tax was 99.01% in 2012-13. This is in line with the collection rate in 2011-12 although there has been a slight downward trend over the last five years. The economic circumstances of recent years are likely to have contributed to the slight fall in the collection rate. • The Council's collection rate for NNDR was 97.84% in 2012-13. This has increased from 97.19% in 2011-12. The collection rate has fluctuated slightly over the last five years.	Green
Borrowing	• The Council's long term borrowing (as a ratio of 'tax 'revenue) is 0.05. • The Council's long term borrowing to tax ratio has decreased from 0.09 in 2007-08 to 0.05 in 2011-12. This downward trend differs from most of the benchmarked group where ratios over this period have increased. The Council is in a sound position with long term debt a proportionally small amount compared to tax revenues. • The Council's long term borrowing to assets ratio is 0.02 • The Council's long term borrowing to assets ratio has decreased from 0.05 in 2007-08 to 0.02 in 2011-12. There is no clear overall trend across the benchmarked group as around half the councils have increased their ratio and half decreased. The Council's decrease over the last five years is a prudent approach as they reduce their exposure to long term borrowing. • The Council met it's prudential indicator targets for 12-13.	Green

Key Indicators

Overview of performance

Area of focus	Summary observations	Assessment
Workforce	• The Council's sickness absence rate reduced from 6.81 days per FTE in 2010-11 to 5.91 days per FTE in 2011-12. • The Council's sickness absence figures compare well against figures for the public sector (7.9 in 2011-12) and local government generally (8 in 2011-12).	Green
Performance Against Budgets: revenue & capital	• The Council has a very good track record of meeting its budget and achieving savings. • In 2012-13 the Council achieved an overall under-spend of £155k. After allowing for transfers to and from earmarked reserves this equates to a £98k under-spend. • This underspend was spread across a number of service areas and included (for example) additional income received in respect of the VAT shelter arrangement, additional income from sale of freehold land, increased income from planning fees and rent for storage compound and reduced employee related expenditure due to vacant posts. • The Capital budget was underspent by around £200k in 2012-13. This partly related to slippage in projects and partly to underspend on capital grants for disabled facilities and repossession prevention which was less than anticipated.	Green
Reserve Balances	• The Council's useable reserves as a share of expenditure ratio was 0.27. This is consistent with the average ratio for the benchmarked group of 0.28. • Between 2008-09 and 2011-12 the Council increased the value of its useable reserves as a share of expenditure from 0.15 to 0.27. There is no clear trend in the nearest neighbours with some authorities increasing their reserves (as a share of expenditure) and other decreasing their reserve level. • CIPFA's guidance on reserves is that the level should follow the S151 officer's advice to the Council, which should be based on local circumstances. As at 31 March 2013 the Council has £6.346m reserves, with £1.7m representing the general fund balance. This is above the S151 officer's recommended minimum level of £700k.	Green

Strategic Financial Planning

Key characteristics of good strategic financial planning

In conducting our review of strategic financial planning we have assessed the Council's performance against the following indicators:

- Focus on achievement of corporate priorities is evident through the financial planning process. The MTFP focuses resources on priorities.
- The MTFP includes outcome measures, scenario planning, benchmarking, resource planning and details on partnership working. Targets have been set for future periods in respect of reserve balances, prudential indicators etc.
- Annual financial plans follow the longer term financial strategy.
- There is regular review of the MTFP and the assumptions made within it. The Council responds to changing circumstances and manages its financial risks.
- The Council has performed stress testing on its model using a range of economic assumptions including CSR.
- The MTFP is linked to and is consistent with other key strategies, including workforce.
- KPIs can be derived for future periods from the information included within the MTFP.

Strategic Financial Planning

Medium Term Financial Strategy

Area of focus	Summary observations	Assessment
Focus of the MTFP	• The Council's revenue budget was set in February 2013, along with an updated three year medium term financial plan (MTFP) for the period 2013-14 to 2015-16. • The Council has a budget working group that meets regularly through the year to review the Council's financial position and address any emerging financial issues • In order to produce a balanced budget for 12-13 and to give a good starting position for 13-14 a review of Council services was carried out by Heads of Services and the Corporate Management Team (CMT) in Summer 2011. • The savings proposed were reviewed by CMT and final proposals for savings of £635k put forward to the Policy and Finance Committee and the Personnel Committee in November 2011. The Council had also completed a review of senior management in 2010-11 which achieved savings averaging £108,000 per annum over five years. • Saving were monitored closely throughout 12-13 and were achieved. • In March 2013 the Council's capital budget was set for 2013-14 and a medium term capital programme up to 2015-16 approved. • Heads of Service were asked to submit capital bids putting forward schemes which were the absolute basic requirement to keep the council's services running. Details were presented to members and the budget working group and CMT met to consider the bids and made a number of proposals/amendments. • The Council do not intend to use future borrowing to finance the capital programme so the impact on the revenue budget is reduced. Funding from earmarked reserves (which were created for this purpose) will be used.	Green

Strategic Financial Planning

Medium Term Financial Strategy

Area of focus	Summary observations	Assessment

Adequacy of planning assumptions	• The Council has set out expected expenditure and revenue for the years 2013-14 to 2015-16 in its MTFP. It has revisited the assumptions made for 2014-15 and 2015-16 to ensure they are realistic.
	• There remains significant uncertainty about the financial position for 2015-16. An indicative saving requirement of £725k was included in the updated MTFP, however figures are being updated as more information is received and confirmed.
	• The MTFP is based on a number of assumptions:
	    • The factors which may impact on future funding levels such as income levels from fees and charges and the localisation of business rates
	    • Anticipated external funding for 2013-14 and where known, the levels this will be at going forward
	    • A council tax increase of 2.5% in 2014-15 and 2015-16.
	    • Assumes use of balances of £150,000 p.a. from 2014-15.
	• These assumptions are reviewed regularly to take account of emerging information and have been updated since the issue of the MTFP to include the latest information available.
	• A general fund reserve balance of £1.381m has been set for 13-14 which is above the S151 officer's recommended minimum level of £700,000.
	• Earmarked reserves are estimated to increase from £3.982m at 31 March 2013 to £6.29m as 31 March 2016.
		Green

Scope of the MTFP and links to annual planning	• As a result of the service reviews and savings achieved during 2012-13, the Council does not need to make specific savings in order to meet the budget set for 2013-14. • There are clear processes in place to ensure the MTFP reflects information from other areas of the Council such as estates and HR. The Director of Resources and Head of Financial Services are part of the Asset Management Group and are able to assess any financial implications of significant proposals and ensure they align with the Council's MTFP. The HR manager reports directly to the Management Team again enabling any financial implications within these reports to be assessed against the MTFP or absorbed into future plans where appropriate.	Green

Strategic Financial Planning

Medium Term Financial Strategy

Area of focus	Summary observations	Assessment
Review processes	• Monitoring of progress against the MTFP is undertaken through the year by the Budget Working Group, for example the latest information regarding the Spending Round 2013 and the potential impact on Ribble Valley going forward was reported to the group in July 2013. • A formal report reviewing the MTFP at the six month stage is presented to Policy and Finance Committee in September.	Green
Responsiveness of the Plan	• The Council reviewed and updated the MTFP during the most recent financial planning cycle. • Future years funding will be reviewed during the lifetime of the plan and this process has already commenced for 2014-15. • The Council will need to ensure the plan remains responsive, especially given the scale of the savings required in 2014-15 and 2015-16. Previous service reviews have achieved the required substantial savings needed to set a balanced budget but the Council must ensure its current approach to financial planning remains appropriate to deal with the increasing and emerging financial pressures in local government.	Green

Financial Governance

Key characteristics of effective financial governance

In conducting our review of financial governance we have assessed the Council's performance against the following indicators:

Understanding

- There is a clear understanding of the financial environment the Council is operating within:
  - Regular reporting to Members. Reports include detail of action planning and variance analysis etc.
  - Actions have been taken to address key risk areas.
  - Officers and managers understand the financial implications of current and alternative policies, programmes and activities.

Engagement

- There is engagement with stakeholders including budget consultations.

Monitoring and review

- There are comprehensive policies and procedures in place for Members, Officers and budget holders which clearly outline responsibilities.
- Number of internal and external recommendations overdue for implementation.
- Committees and Cabinet regularly review performance and it is subject to appropriate levels of scrutiny.
- There are effective recovery plans in place (if required).

Financial Governance

Understanding and engagement

Area of focus	Summary observations	Assessment
Understanding the Financial Environment	• Regular reports to monitor performance against the revenue budget and capital budget are made to service committees, the Policy and Finance Committee. These reports, together with the minutes of the budget working group, treasury management reports and revenues and benefits reports, combine to give members a good overall view of council finances. • The annual budget is presented to the full Council for approval and the Council also received minutes of the Policy and Finance Committee and Accounts and Audit Committee to give further financial background and information. The Leader of the Council is also the Chair of the Policy and Finance Committee. • Where there are specific financial issues or changes, such as the Business Rates Retention Scheme, separate reports are made to members to outline the background to and implications of these maters. • Financial Regulations are reviewed on an annual basis and presented to the Policy and Finance Committee for approval. The Financial Regulations set out the financial responsibilities of the Council, the Head of Paid Service, the Monitoring Officer, the Section 151 Officer and Directors generally. • When the plans to make substantial savings in 2011-12 were finalised, briefings were held for staff to ensure they understood the financial position the Council was in and how savings could be achieved.	Green
Executive and Member Engagement	• There is an appropriate level of senior management and member level engagement in the financial management process. • The Director of Resources is part of the leadership team and is included in the decision making of the Council. • The Director of Resources considers that members of the Policy and Finance Committee are appropriately engaged and challenging. • The Accounts and Audit Committee provide a robust challenge to officers in relation to financial matters within their remit. • The Council makes good use of its website to communicate financial issues to stakeholders including the Council leader's message. The MTFP is available on the website and this is a clearly set out document.	Green

Financial Governance

Understanding and engagement

Area of focus	Summary observations	Assessment
Overview for controls over key cost categories	• The Council is relatively low spending. The "cost per head" for services provided compares well with its comparator group. • The Council's spend on back office services per head are in the lowest third of their comparative group.	Green
Budget reporting: revenue and capital	• After reporting to individual service committees for consideration, the overall budget each year is first presented to the Budget Working Group. Following review and challenge, this group recommends the budget to the Policy and Finance Committee. Following review at this committee, the budget is recommended to full Council for approval. This process provides adequate opportunity for members to engage with and understand the budget for the coming year. • The budget report to Policy and Finance Committee sets out the revised budget for the current year together with explanations for changes in expected levels of income and expenditure. The report outlines government funding and the precept requirement for the coming year. • The three year capital programme, revenue budget and Medium Term Financial Plan are presented to Policy and Finance Committee at the same time. This means members can see how the three documents link together to form the Council's financial plans going forward. • The reports to members are comprehensive and clearly set out. The Director of Resources presents the reports and provides any further explanation on key issues to members. • Revenue and Capital monitoring reports are presented to service committees and Policy and Finance Committee throughout the year. This means members are kept up to date with progress against budget and savings, any emerging issues or pressures, and the actions being taken to address them.	Green
Adequacy of other Committee/ Cabinet Reporting	• The Policy and Finance Committee receives a wide range of financial information in order to give a rounded view of Council finances including Treasury Management reports, Revenues and Benefits reports, economic development updates etc. • Individual committees also receive budget and capital monitoring reports in respect of their services, such as the Health and Housing Committee, Planning and Development Committee and Community Services Committee.	Green

Financial Control

Key characteristics of effective financial control

In conducting our review of financial control we have assessed the Council's performance against the following indicators:

Budget setting and budget monitoring

- Budgets are robust and prepared in a timely fashion.
- Budgets are monitored at an officer, member and Cabinet level and officers are held accountable for budgetary performance.
- Financial forecasting is well-developed and forecasts are subject to regular review.

Savings Plans

- Processes for identifying, delivering and monitoring savings plan schemes are robust, well thought through and effective.

Financial Systems

- Key financial systems have received satisfactory reports from internal and external audit.
- Financial systems are adequate for future needs.

Finance Department

- The capacity and capability of the Finance Department is fit for purpose.

Internal Control

- There is an effective internal audit which has the proper profile within the organisation. Agreed Internal Audit recommendations are routinely implemented in a timely manner.
- There is a an assurance framework in place which is used effectively by the Council and business risks are managed and controlled.

Financial Control

Internal arrangements

Area of focus	Summary observations	Assessment
Budget setting and monitoring - revenue and capital	• The Council has a well established budget setting process that encourages ownership from budget holders. The Council has a good track record in managing budgets and achieves its budgets each year. • The Corporate Management Team (CMT) meet on a weekly basis and review key financial information. Members of CMT sit on the Budget Working Group which reviews revenue and capital information, performance against budgets and other relevant financial information. • The Budget Working Group is the key interface between officers and members for financial monitoring and is attended by the Leader and Deputy Leader, Shadow Leader and the Chairs of key committees. • The monitoring process recognises the accountabilities of Heads of Services for the delivery of financial targets in their areas.	Green
Performance against Savings Plans	• In order to set a balanced budget for 12-13 the Council completed a number of services reviews in the Summer/Autumn 2011 and identified £635k of planned savings for 2012-13. • Heads of Service reviewed their areas to identify potential savings and a number of measures were presented to CMT for consideration. A package of measures was compiled and reviewed by the Budget Working Group before proposals were submitted to the Policy and Finance Committee and full Council for approval. • Progress against the savings target was monitored throughout the year. The planned level of savings were achieved. • As a result of the savings achieved in 12-13, the Council has been able to set a balanced budget for 2013-14. However the Medium Term Financial Plan shows that considerable savings will need to be identified in 2014-15 and 2015-16 in order to set a balanced budget.	Green

Financial Control

Internal and external assurances

Area of focus	Summary observations	Assessment
Key Financial Accounting Systems	• The Council has well established systems and procedures for producing reliable financial monitoring and forecasting information. • The process has enabled the Council to identify and manage financial risks in a timely way.	Green
Finance Department Resourcing	• The Finance Department is resourced at an appropriate level for a council of this size. • The Director of Resources and Head of Financial Services are both CIPFA qualified and have the appropriate experience required for their roles. • Staff in the Finance Department are suitably qualified and experienced to provide support to service managers on financial issues.	Green
Internal audit arrangements	• The Council has adequate arrangements in place. • Internal audit work is provided in house by a small team of dedicated audit staff. • Internal audit did not deliver their full programme of work in 2012-13 due to staff vacancies and unanticipated investigation work. However, we understand that staff vacancies have now been filled and the plan for 13-14 is on track. • Internal audit receive good feedback from managers in the service areas they audit.	Green

External audit arrangements	• The key messages from the most recent Annual Audit Letter noted:
	    • An unqualified opinion on the Authority's 2011/12 financial statements was given
	    • The council had proper arrangements to secure economy, efficiency and effectiveness in its use of resources
	• The ISA260 report noted that there were two material errors identified in the audit of the accounts but that the accounts were amended to correct these errors.
	• The Council responds well to any recommendations raised.
		Green

Financial Control

Internal and external assurances

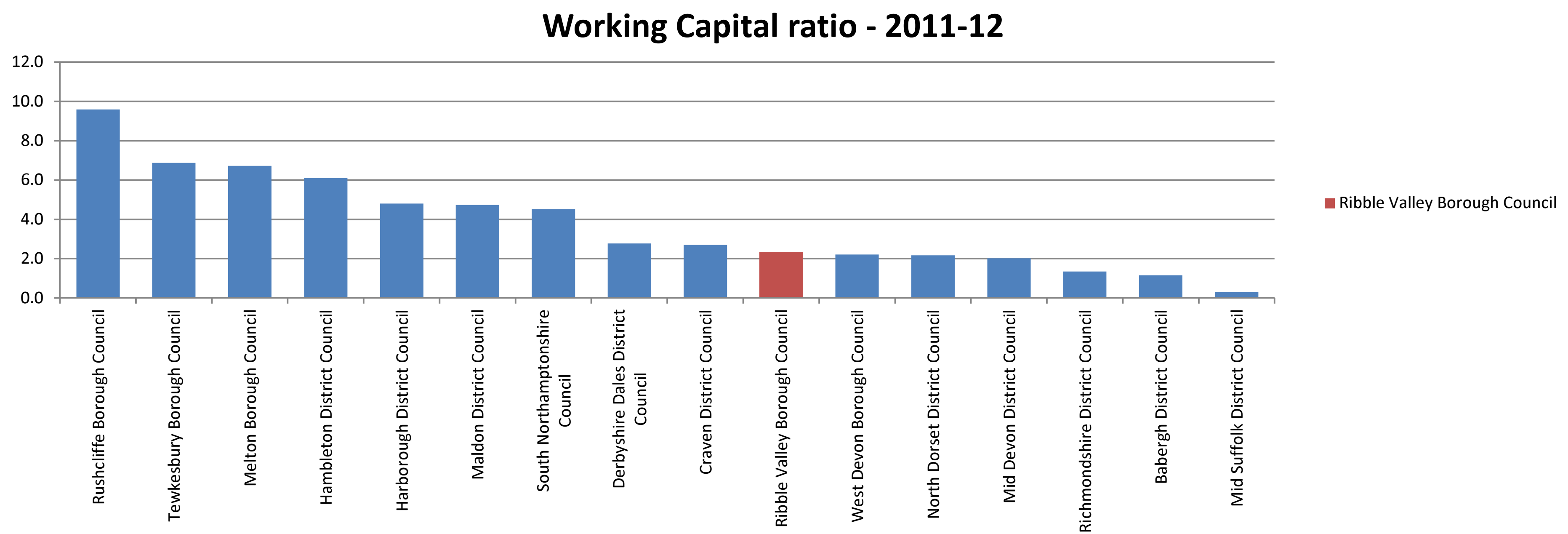
Area of focus	Summary observations	Assessment
Assurance framework/risk management	• The Council has robust risk management arrangements in place. • There is a comprehensive departmental level risk register which Heads of Service are responsible for updating with new or emerging risks. The risks are assessed and scored in respect of likelihood and impact. • Risks on the register are allocated to a named lead at a senior level,. The register has the relevant key controls listed. The use of RAG ratings (Red, Amber, Green, based on scores) helps ensure risks are appropriately managed. • CMT use their knowledge to review the risk register on a regular basis to ensure risks are being reviewed, managed and updated as appropriate and to consider whether any risks (notably potential red risks) have not been identified. • 'Red' risks are reported at each Accounts and Audit Committee. Any issues arising are then highlighted to full Council via the Accounts and Audit Committee minutes or via briefings from the Chair of Accounts and Audit Committee where necessary. • The number of risks on the full risk register means it is difficult for members to get an overview of the high level risks that might impact on the Council's strategic objectives. It would be useful if Council members received a summary "Corporate Risk Register" containing only the highest level strategic risks to scrutinise and to consider where these have the greatest potential impact on the Council achieving its overall strategic objectives.	Green

Key Indicators of Financial Performance

Working Capital Ratio - 2011/2012

Definition The working capital ratio indicates if an authority has enough current assets, or resources, to cover its immediate liabilities – i.e. those liabilities to be met over the next twelve month period. It should be noted that a high working capital ratio is not always a good thing; it could indicate that an authority is not effectively investing its excess cash.

Findings The Council's working capital ratio is just below the average when compared to its nearest neighbours, its ratio in 2011-12 being 2.35 compared to an average of 3.77. This demonstrates a prudent but not overly cautious approach to working capital management.

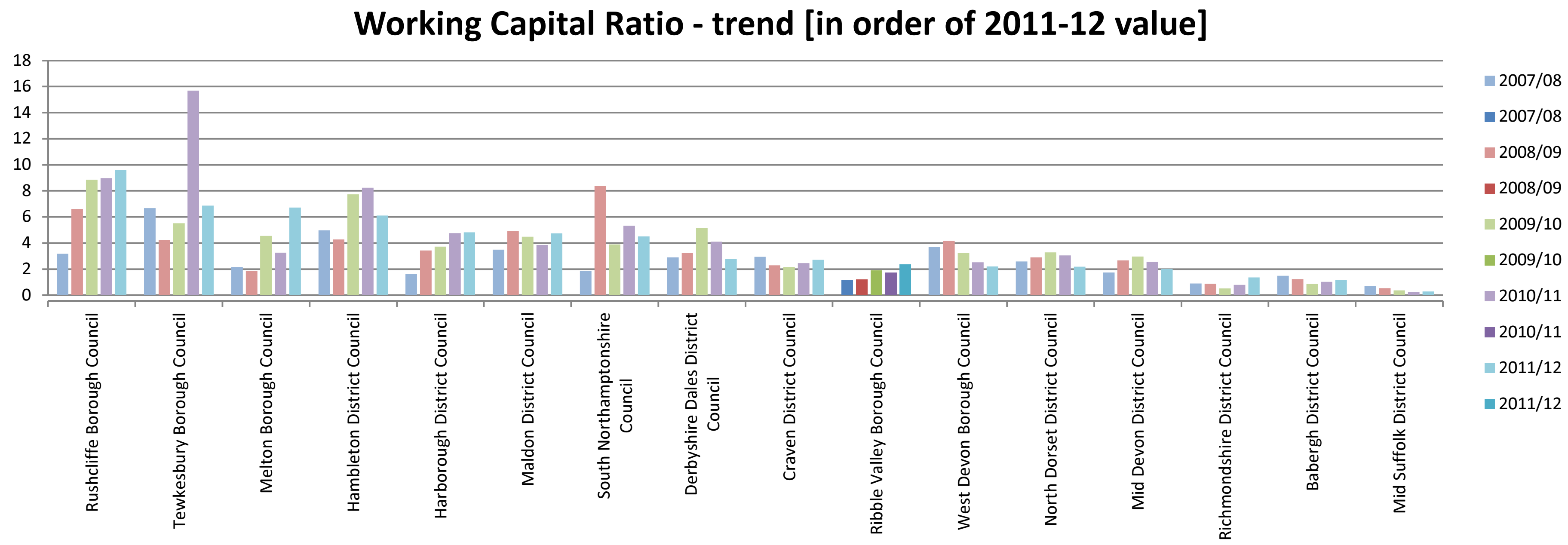


Source: XXX

Key Indicators of Financial Performance

Working Capital Ratio – Trend

Findings There is a mixed picture in terms of the movement in working capital ratios across the nearest neighbours. 10 out of the 16 councils have increased their working capital from 2007-08 to 2011-12 whilst 6 out of the 16 have seen a decrease over the same period. Of those councils that have seen their ratio increase, there are large fluctuations in the rate of increase. The Council has seen an increase of 104% (2007-08 ratio of 1.15 to 2011-12 ratio of 2.35).



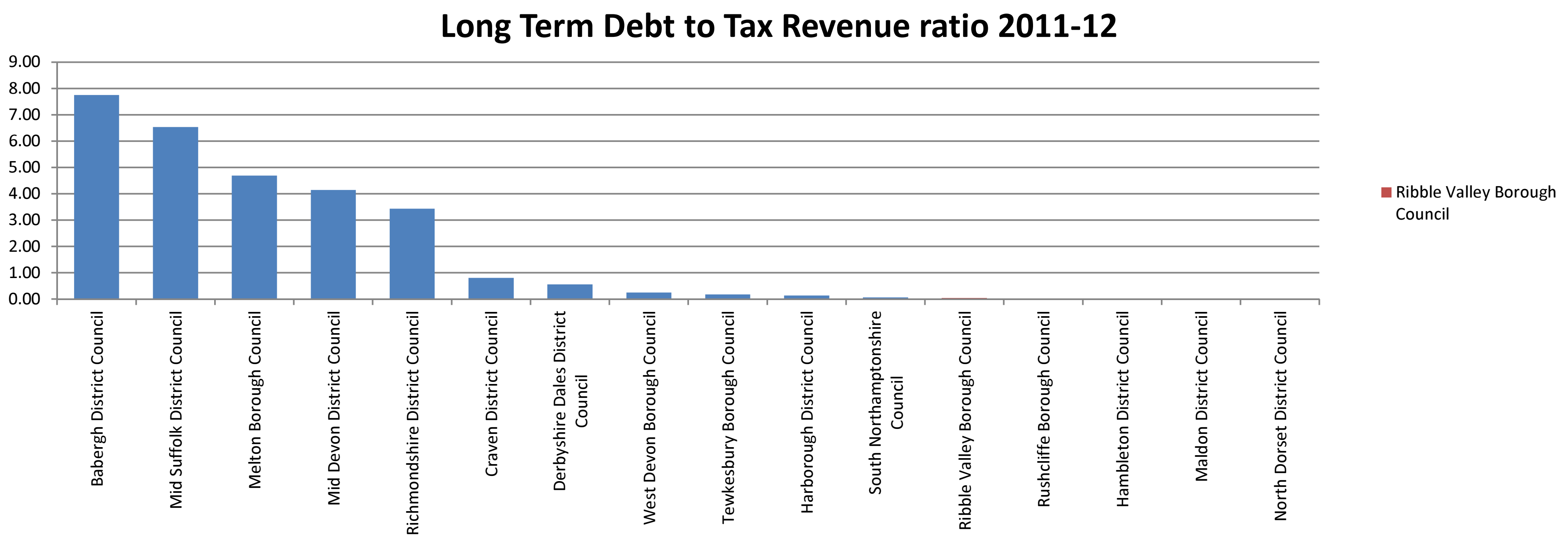
Source: XXX

Key Indicators of Financial Performance

Long Term Debt to Tax Ratio - 2011/2012

Definition This shows long term borrowing as a share of tax revenue. A ratio of more than one means that long term borrowing exceeds council tax revenue.

Findings The Council's long term borrowing (as a percentage of tax revenue) is 0.05 which is at the lower end of the comparator group.

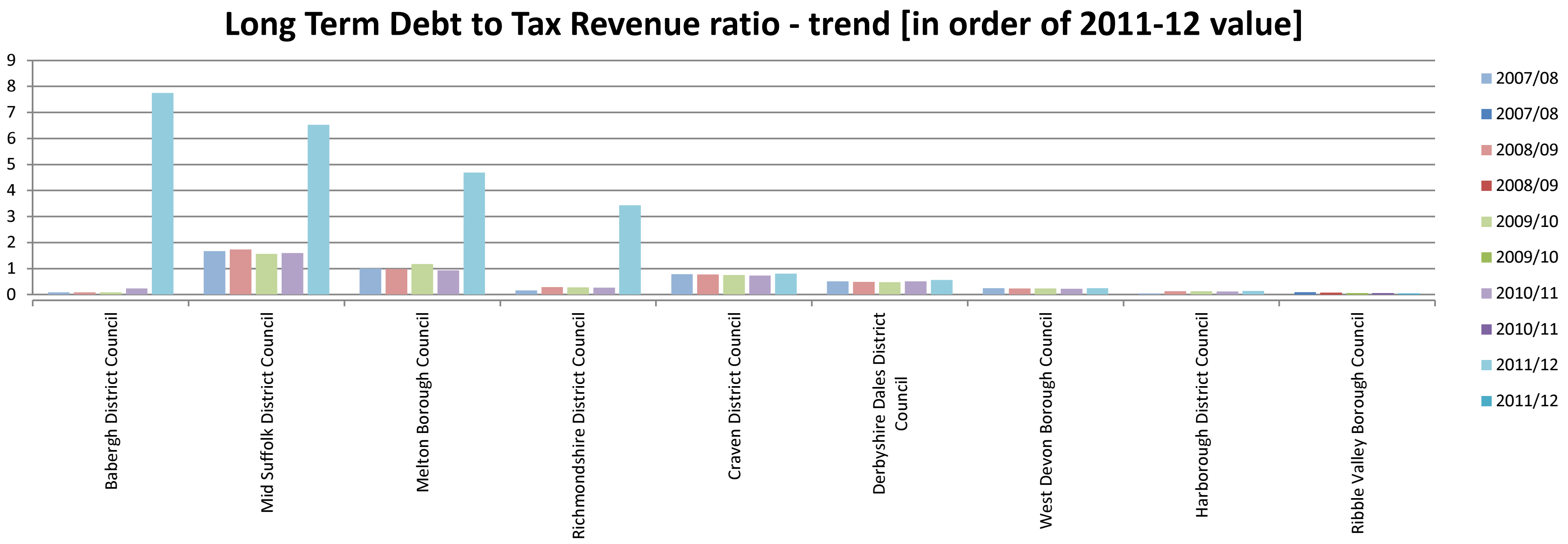


Source: XXX

Key Indicators of Financial Performance

Long Term Debt to Tax – Trend

Findings The Council's long term borrowing to assets ratio has decreased from 0.09 in 2007-08 to 0.05 in 20011-12. This downward trend is different from the majority of the benchmarked group who have increased their ratios over this period. The Council is in a sound position with long term debt a proportionally small amount compared to tax revenues.



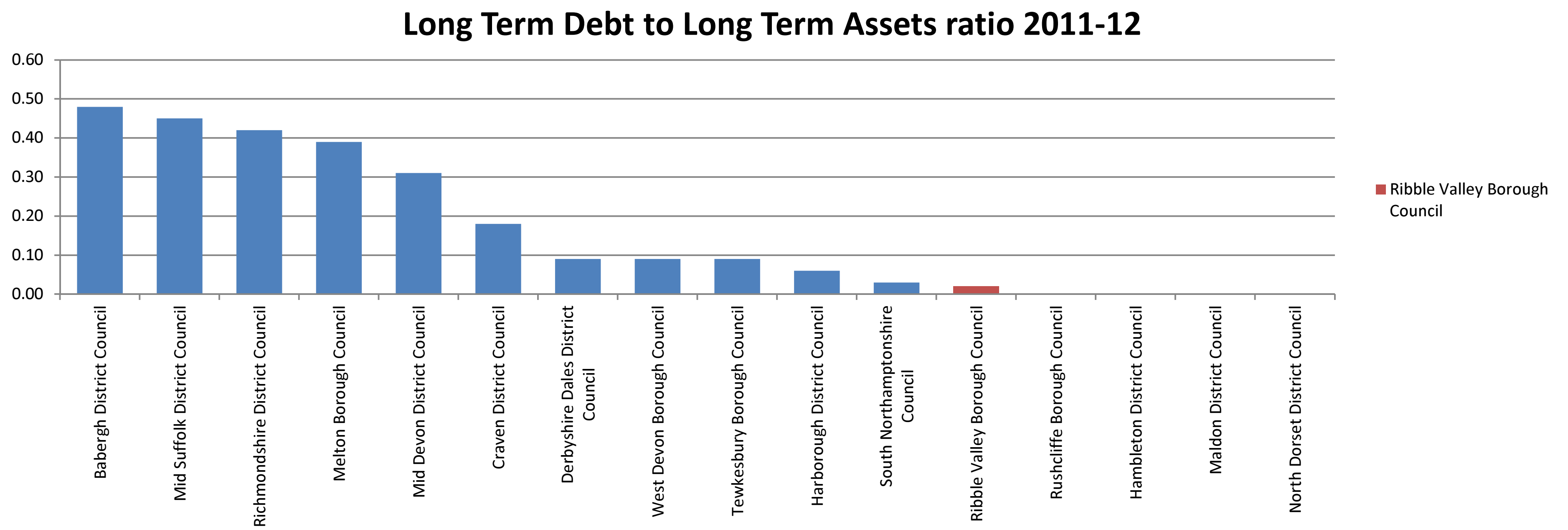
Source: XXX

Key Indicators of Financial Performance

Long Term Debt to Long Term Assets - 2011/2012

Definition This ratio shows long term borrowing as a share of long term assets. A ratio of more than one means that long term borrowing exceeds the value of long term assets.

Findings The Council's long term borrowing to assets ratio is 0.02.

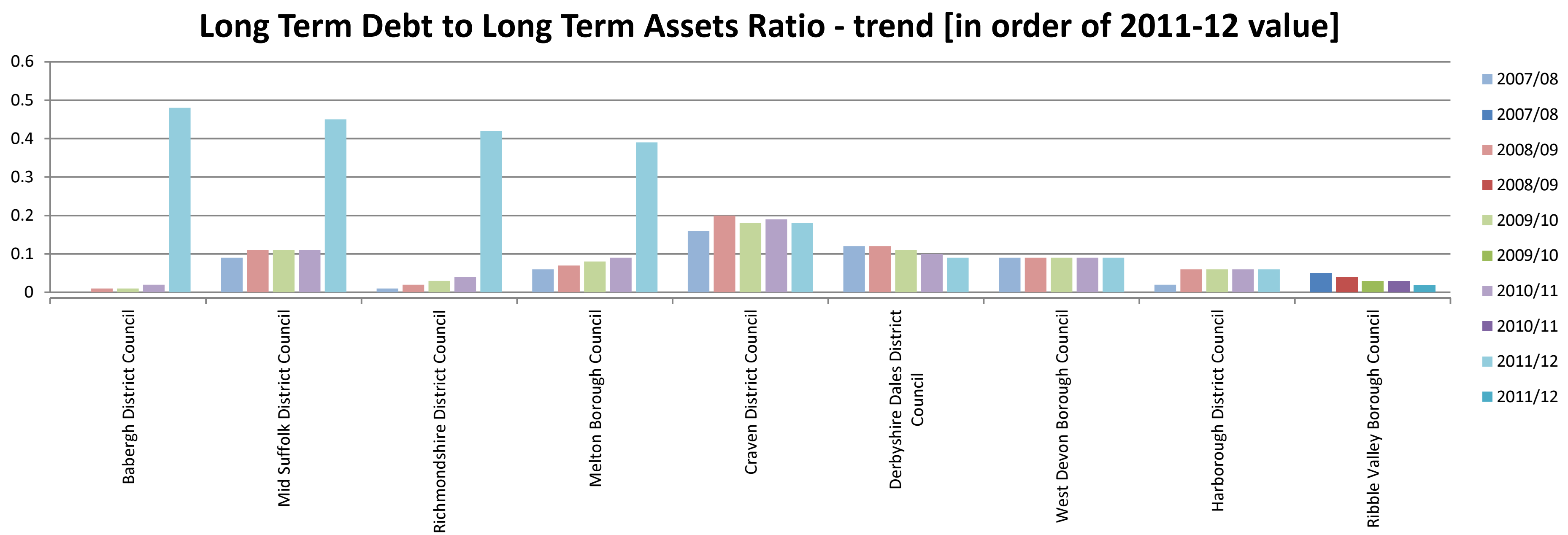


Source: XXX

Key Indicators of Financial Performance

Long Term Debt to Long Term Assets – Trend

Findings The Council's long term borrowing to assets ratio has decreased from 0.05 in 2007-08 to 0.02 in 2011-12. There is no clear overall trend across the benchmarked group as around half the councils have increased their ratio and half decreased.



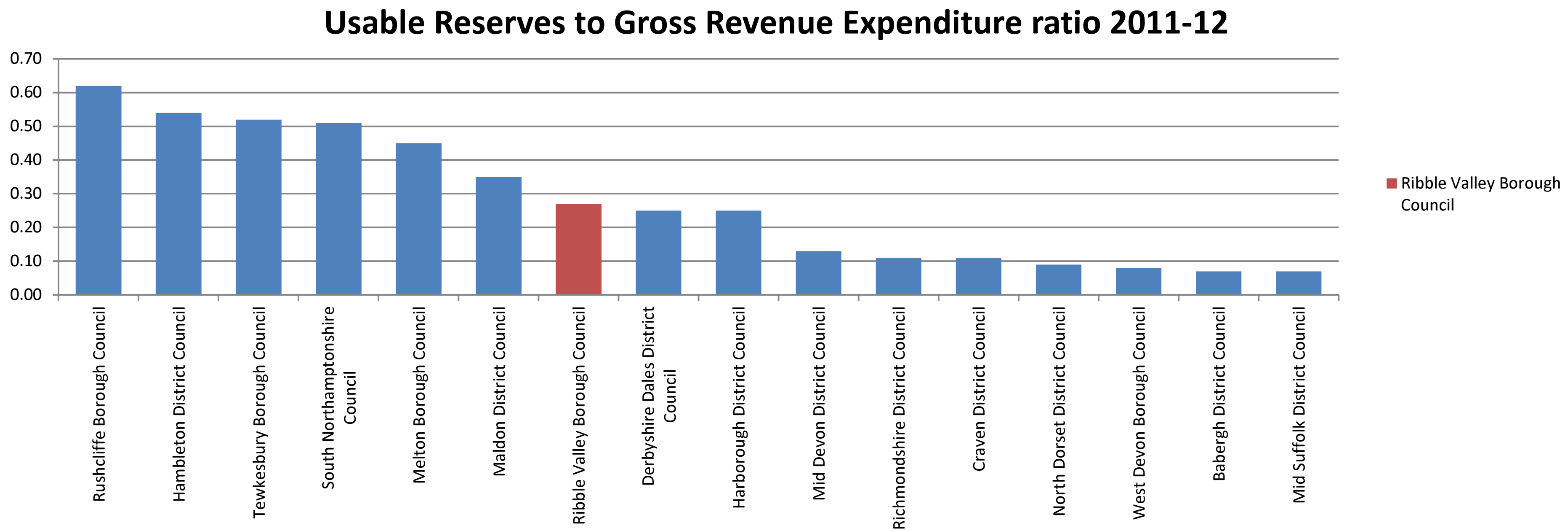
Source: XXX

Key Indicators of Financial Performance

Usable Reserves to Gross Revenue Expenditure - 2011/2012

Definition This shows useable capital and revenue reserves as a share of expenditure. A ratio of one means the total reserves matches the level of expenditure.

Findings The Council's useable reserves as a share of expenditure ratio was 0.27. This is around the average ratio of the benchmarked group (0.28).

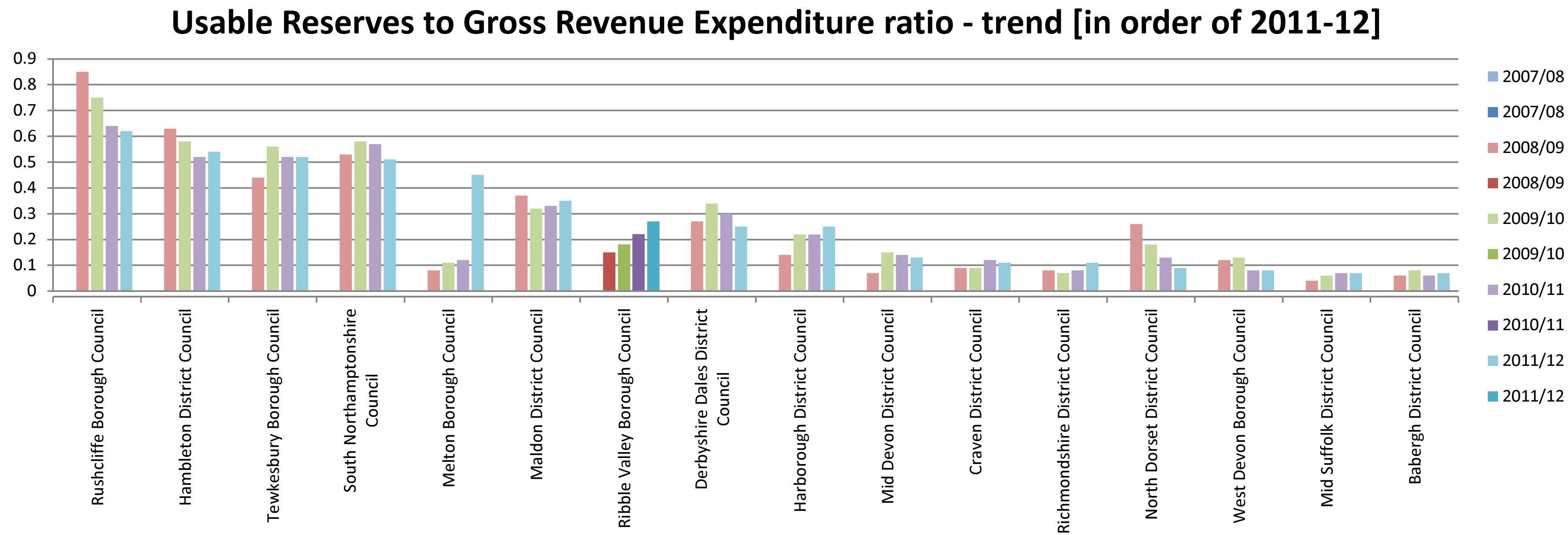


Source: XXX

Key Indicators of Financial Performance

Usable Reserves to Gross Revenue Expenditure – Trend

Findings Between 2008-09 and 2011-12 the Council increased the value of its useable reserves as a share of expenditure from 0.15 to 0.27. There is no clear trend in the nearest neighbours with some authorities increasing their reserves (as a share of expenditure) and other decreasing their reserve levels.
CIPFA's guidance on reserves is that the level should follow the S151 officer's advice to the Council, which should be based on local circumstances. As at 31 March 2013 the Council has £6.346m reserves, with £1.7m representing the general fund balance. This is above the S151 officer's recommended minimum level of £700k.

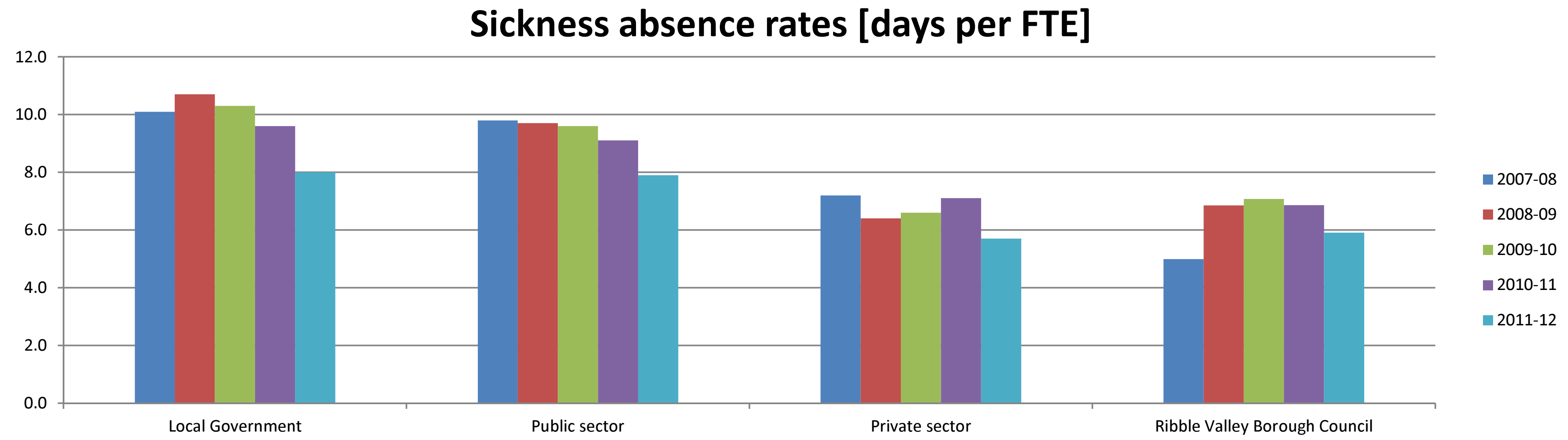


Source: XXX

Key Indicators of Financial Performance

Sickness absence

Finding The Council's sickness absence rate reduced from 6.81 days per FTE in 2010-11 to 5.91 days per FTE in 2011-12 after having risen over previous years. The Council's sickness absence figures compare well against figures for the public sector (7.9 in 2011-12) and local government generally (8 in 2011-12).

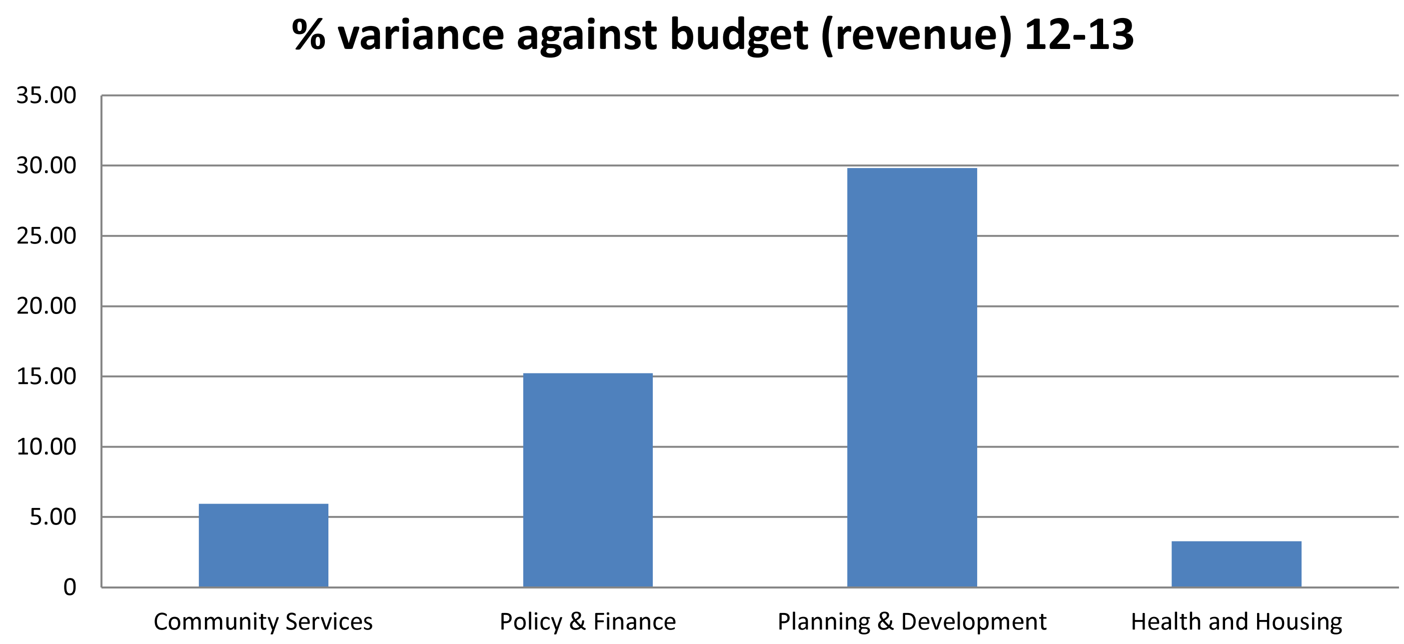


Source: XXX

Key Indicators of Financial Performance

Outturn against budget (revenue)

Finding In 2012-13 the Council achieved an overall under-spend of £155k. After allowing for transfers to and from earmarked reserves this equates to a £98k under-spend. This underspend was spread across a number of service areas and included (for example) additional income received in respect of the VAT shelter arrangement, additional income from sale of freehold land and rent for storage compound, increased income from planning services and reduced employee related expenditure due to vacant posts.

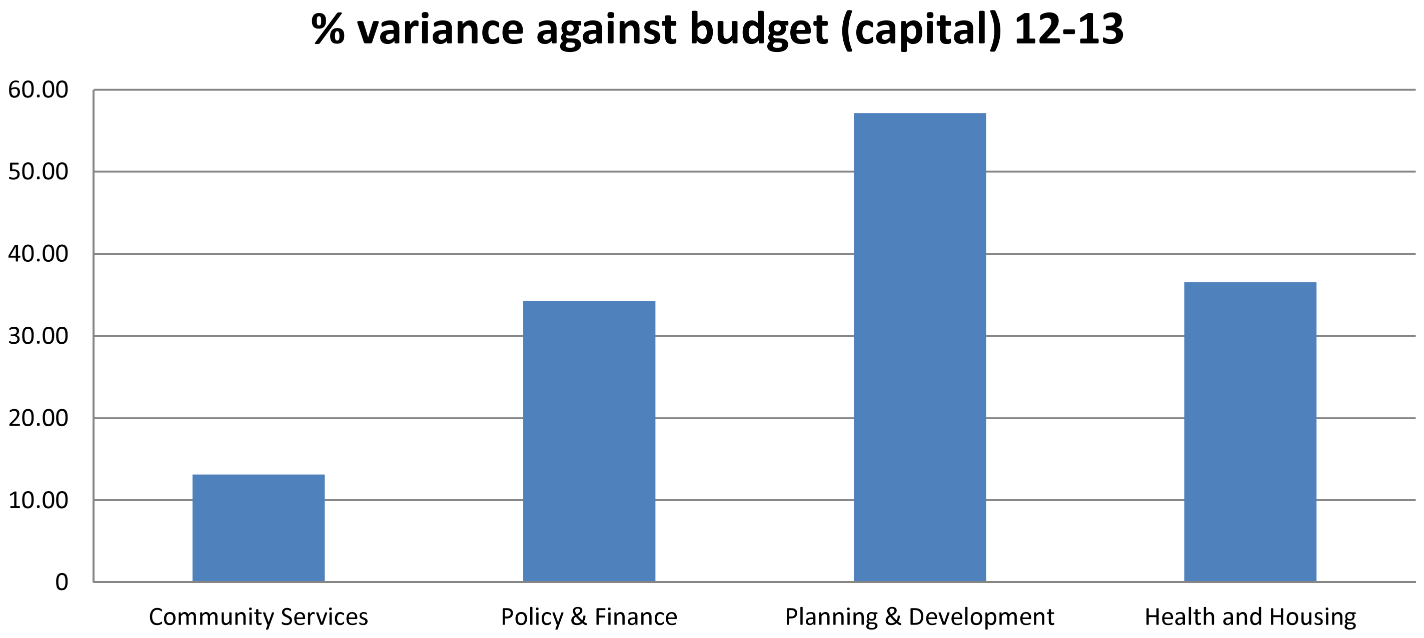


Source: XXX

Key Indicators of Financial Performance

Outturn against budget (capital)

Finding In 2012-13 the Council had an approved capital budget of £1,536k. This was revised to £1,343k and at the year end the Council had Underspent this revised amount by £243k.



Source: XXX

Grant Thornton

grant-thornton.co.uk