



# Review of the Council's Arrangements for Securing Financial Resilience for Blackburn with Darwen Council

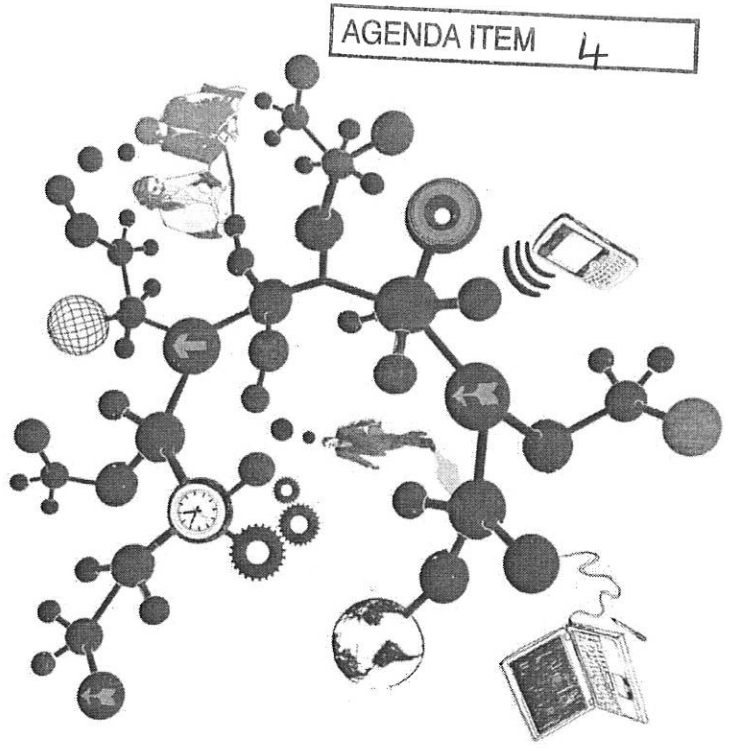
Year ended 31 March 2013

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# 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.

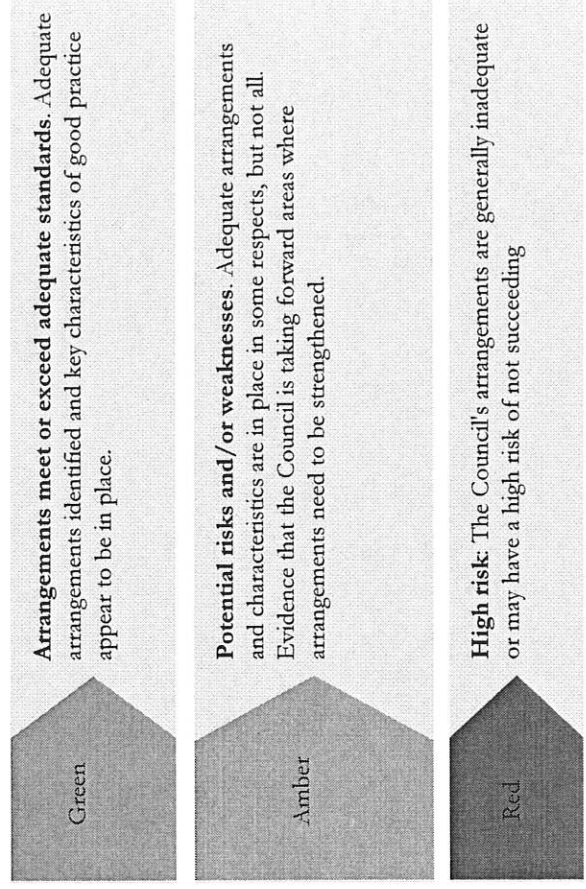
We have reviewed the financial resilience of the Council by looking at:

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

Overall we have assessed the Council as GREEN

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 has faced, and continues to experience significant financial pressures and risks, its current arrangements for securing financial resilience are appropriate

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



# 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 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. The Chancellor has stated that Local government will face a further 10% funding reduction for this period.

These 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

Blackburn with Darwen Borough is a predominantly urban area in East Lancashire and has a population of 141,200. It is a multicultural population with a significant ethnic minority community. The borough includes a mix of relatively affluent areas and neighbourhoods with significantly higher levels of deprivation. Regional transport links are good, with motorway links close by and direct rail links to Manchester. The economy of the borough was historically based on manufacturing and, the economy has diversified as manufacturing declined although the area still has a large industrial base.

2012/13 was the second year of a two year budget strategy that required the Council to secure some £38.4 million in savings over the period in response to significant reductions in funding from central government. Further savings were required to meet demographic and inflationary pressures. The Council achieved this reduction and in 2012/13 the Council spent £0.1million less than the budgeted net expenditure of £153.4 million.

The Council will continue to face further reductions in government funding and in March 2013 approved a budget for 2013/14 and a provisional budget for 2014/15 that identified further savings of £29 million. Significant challenges remain, particularly in demand lead service areas such as Adults' social care. This together with continued economic uncertainty and uncertainty over future funding levels means it is essential that the Council continues to manage the financial position closely and maintain the robust systems and processes in place to manage financial risks and opportunities.

# Executive Summary

## Overview of Arrangements

Risk area	Summary observations	High level risk assessment
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- The Council's 2012-13 revenue outturn budget was underspent by £98,000 with a £2.6 million underspend against the updated planned capital programme of £48.4 million.
- Overall, the Council's level of general fund balances stand at £8.221 million, some 5.4% of the Council's net expenditure (2012-13) and provide adequate cover for known future financial risks.
- The Council's working capital ratio has reduced from 1.19 in 2007-08 to just over 0.85 in 2011-12. This reflects the Treasury Management strategy in place at the Council to utilise available cash balances. This decrease is consistent with the majority of authorities within the comparator group.
- The long term borrowing ratio (as a percentage of tax revenue) has increased by 14.5% between 2007/08 and 2011/12.
- The Council's sickness absence rates have risen marginally from 10.99 days in 2011-12 to 11.35 days in 2012-13 against a target of 8 days. The Council needs to continue to closely monitor sickness absence rates at a detailed level, identify any outliers and ensure appropriate action is taken..

### Key Indicators of Performance

● Green



- The Council has a Medium Term Financial Strategy (MTFS) in place covering the period 2013-2016. The strategy is subject to regular review and updating.
- The Council recognises the need to ensure the MTFS is kept under close review by Members as the current strategy is predicated on significant further savings being required with some £30 million of further budget reductions required by the end of 2014/15.
- The MTFS builds on the achievements of the Transformation Programme Board and Transformation Team that helped oversee the delivery of the required savings. The scale of further savings identified in the MTFS requires further transformation and downsizing.

### Strategic Financial Planning

● Green

# Executive Summary

## Overview of Arrangements

Risk area	Summary observations	High level risk assessment
<b>Financial Governance</b>	<p>The Council has established sound financial governance arrangements.</p> <ul style="list-style-type: none"><li>• Both members and officers have an appropriate focus on the Council's financial position with clear engagement in the financial management process.</li><li>• Effective budget monitoring and reporting processes are in place to identify variances at an early stage and take appropriate remedial action.</li><li>• The Audit Committee provides adequate challenge</li></ul>	 <b>Green</b>
<b>Financial Control</b>	<ul style="list-style-type: none"><li>• The Council has a robust approach to financial and performance management and has a good record in controlling spend in both demand and non-demand led services.</li><li>• The Internal Audit Opinion Report 2012/13 concluded that there was reasonable assurance that the Council's control environment was adequate in its effectiveness.</li><li>• The Council has robust risk management arrangements in place that have contributed to the delivery of the planned savings programme.</li></ul>	 <b>Green</b>

# Executive Summary

## Next Steps

Area of review	Key points for consideration	Responsibility	Timescale	Management response
Key Indicators of Performance	The Council should continue to monitor closely its local taxes collection rates given the changes to the locally defined Council Tax support scheme and the new mechanism of local retention of NNDR both of which were introduced in April 2013.	Director of Finance	On-going	Agreed
Strategic Financial Planning	The Council need to closely monitor sickness absence rates and take appropriate action to work toward achieved the target of 8 days.	Director of Human Resources and Legal Services	On-going	Agreed – The Chief Executive is now chairing a working group of Senior Officers and Trade Union representatives to address this
Financial Governance	The Council should continue to update regularly the MTFS to reflect the significant challenges being faced and ensure it remains responsive to the uncertainties in the economy so that savings targets can be achieved.	Director of Finance	On-going	Agreed
Financial Governance	As the need for robust governance in local government continues to grow, the Council should ensure it continues to provide support to Members and Officers with responsibility for managing budgets.	Director of Finance	On-going	Agreed

# Executive Summary

## Next Steps

Area of review	Key points for consideration	Responsibility	Timescale	Management response
Financial Control	The Council should continue to ensure its savings plans are clearly communicated, linked to specific policy decisions and that the impact on service provision is clearly identified and articulated.	Director of Finance	On-going	Agreed
	The Council should continue to closely monitor budgets to identify variances at an early stage and ensure appropriate corrective action is taken.	Director of Finance and all Chief Officers	On-going	Agreed
	Ensure the annual Internal Audit Plan is realistic and kept under review to ensure that priority one audits are completed as planned.	Director of Finance	On-going	Agreed

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# 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
- Schools Reserves - Balances to Dedicated School Grant (DSG) allocations

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

- Walsall Metropolitan Borough Council
- Stockton-on-Tees Borough Council
- Tameside Metropolitan Council
- City of Bradford Metropolitan Borough Council
- Bolton Metropolitan Council
- Medway Council
- Luton Borough Council
- Coventry City Council
- Middlesbrough Council
- Rochdale Metropolitan Borough Council
- Oldham Metropolitan Borough Council
- Halton Borough Council
- Borough of Telford and Wrekin
- Peterborough City Council
- Sandwell Metropolitan Borough Council





# Key Indicators

## Overview of performance

Area of focus	Summary observations	Assessment
<b>Liquidity</b>	<ul style="list-style-type: none"> <li>The working capital ratio indicates whether a council has sufficient current assets to cover its immediate liabilities. The Council's working capital ratio has reduced from 1.19 in 2007-08 to just over 0.85 in 2011-12. This decrease is consistent with the majority of authorities within the comparator group.</li> <li>The Council's collection performance during 2012-13 of 97.01% (target was 97.1%) for Council Tax and 97.10% (target was 97.7%) for National Domestic Rates is comparable with performance in 2011-12 of 97.67% (target of 97.1%) and 97.8% (target was 97.5% respectively). The fall in collection rates is reflective of the current economic climate.</li> </ul>	<b>Green</b>
<b>Borrowing</b>	<ul style="list-style-type: none"> <li>The Council's long term borrowing ratio (as a percentage of tax revenue) has increased by 14.5% to 1.05 by 31 March 2012.</li> <li>Although long term borrowing has increased, the Council remains in the bottom third of the comparator group for this ratio. The increase in long term borrowing largely relates to the Building Schools for the Future programme which aims to improve school buildings and facilities across the Borough.</li> <li>The Council's long term borrowing to assets ratio is 0.28 and has increased by 22% since 2007/08. This means the value of assets held by the Council remains well in excess of long term borrowing.</li> </ul>	<b>Green</b>
<b>Workforce</b>	<ul style="list-style-type: none"> <li>The Council target for working days lost to sickness absence per Full Time Equivalent was 8 days for both 2011/12 and 2012/13. Actual sickness absence per FTE in 2011/12 was 10.99 days and this increased to 11.35 days in 2012/13. This is significantly higher than the average for all local government bodies of 8 days in 2011/12. We recognise that the Council has put plans in place to address this issue.</li> </ul>	<b>Amber</b>
<b>Performance</b>	<ul style="list-style-type: none"> <li>The Council's 2012-13 outturn position was a £0.1million underspend against its revenue budget of £153.395 million.</li> </ul>	<b>Green</b>
<b>Against Budgets:</b>	<ul style="list-style-type: none"> <li>To achieve the revenue position the Council had to deliver some £8.434 million of savings during 2012/13.</li> </ul>	
<b>revenue &amp; capital</b>	<ul style="list-style-type: none"> <li>Capital spending during 2012/13 totalled £45.8 million against an approved updated budget of £48.4 million. Some 95% of the updated capital programme was delivered compared to 92% in 2011/12.</li> </ul>	<b>Green</b>

# Key Indicators

## Overview of performance

Area of focus	Summary observations	Assessment
<b>Reserve Balances</b>	<ul style="list-style-type: none"><li>• The Council increased the General Fund Balance by £1.782 million to £8.221million at 31 March 2013</li><li>• The General Fund Balance as at 31 March 2013 represents 5.4% of the net expenditure budget for 2012-13. This is just above the Director of Finance's assessment which requires reserves of at least £5.5m in order to adequately manage the risks in the Council's financial position.</li><li>• In terms of usable reserves to gross revenue expenditure ratio, the Council was at the mid point of the comparator group as at 31 March 2012 with a ratio of 0.07.</li></ul>	 <b>Green</b>
<b>Schools Balances</b>	<ul style="list-style-type: none"><li>• Overall levels of reserves held on behalf of schools have increased by £1.4 million during the year to £12.1 million at the 31 March 2013. This increased was planned, in conjunction with the School Forum, to manage the re-organisation of schools in 2012/13. Similarly, the cumulative Dedicated Schools Grant reserve increased over the year by £431,000 to £1.791 million.</li><li>• A review of the reserves held by individual schools as at 31<sup>st</sup> March 2013 highlighted that 35 schools held reserves in excess of the agreed thresholds totalling £3.122m. In consultation with the Schools Forum it was agreed that schools could hold reserves in excess of agreed thresholds for a number of specified reasons. One of those reasons is to fund agreed and costed Capital projects and £3.036m of the total reserves in excess of the threshold are held for this purpose.</li><li>• Our review noted that four were in deficit as at 31<sup>st</sup> March 2013. A school is required to submit a recovery plan once it is apparent that they will fall into a deficit position. The Council then agrees a planned period of recovery.</li><li>• We recognise that managing schools balances is a fine judgement and that excessive balances are inappropriate and should be discouraged. However, the position needs to be carefully monitored to ensure School balances/ DSG balances remain at an appropriate level.</li></ul>	 <b>Green</b>

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# Strategic Financial Planning






## Key characteristics of good strategic financial planning

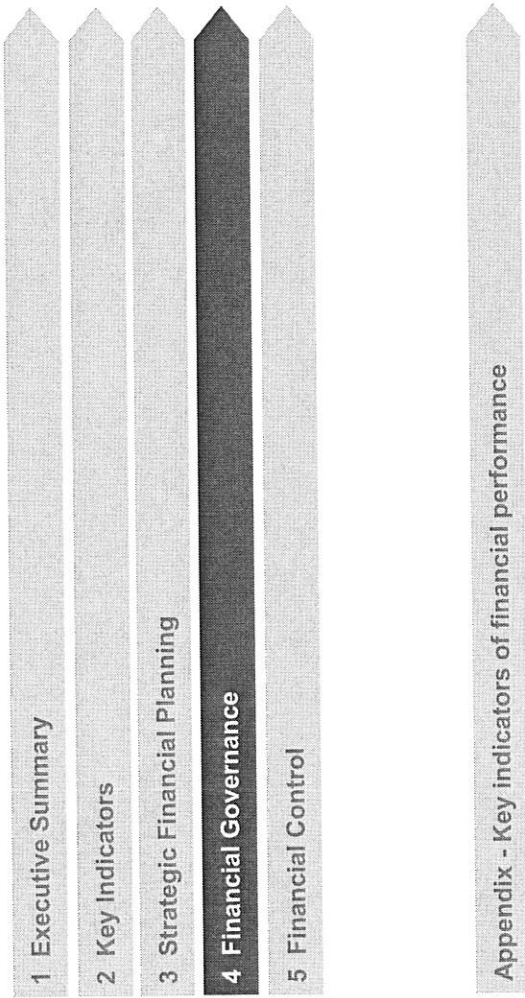
In conducting our review of strategic financial planning we have assessed the Council's performance against the following indicators:

- Focus on achievement of corporate priorities is evident through the financial planning process. The MTFS focuses resources on priorities.
- The MTFS 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 MTFS 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 MTFS 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 MTFS.

# Strategic Financial Planning

## Medium Term Financial Strategy

Area of focus	Summary observations	Assessment
<b>Focus of the MTFS</b>	<ul style="list-style-type: none"> <li>The Medium Term Financial Strategy (MTFS) 2013 – 2016 was approved by the Council in March 2013 alongside the annual budget.</li> <li>The MTFS includes high level scenario planning that clearly sets out the best and worst case scenario alongside the most likely scenario. It also sets out               <ul style="list-style-type: none"> <li>Assumptions and risks</li> <li>National and Local considerations</li> <li>Areas of cost pressure and opportunities where those pressures may be alleviated</li> <li>The results of consultation with stakeholders</li> </ul> </li> </ul>	 <b>Green</b>
<b>Adequacy of planning assumptions</b>	<ul style="list-style-type: none"> <li>The Council has a good track record of achieving its budget and delivering required savings.</li> <li>The key financial planning assumptions underpinning the MTFS assess the impact of spending pressures and include pay and price inflation, the costs of borrowing, local retention of business rates, the council tax benefit support scheme, and the impact of schools becoming academies or free schools.</li> <li>The Council reviews its fees and charges annually.</li> </ul>	 <b>Green</b>
<b>Scope of the MTFS and links to annual planning</b>	<ul style="list-style-type: none"> <li>The Council established the Transformation Programme Board and the Transformation Team to assure the delivery of savings through service redesign and alternative service delivery models.</li> <li>The MTFS 2013 – 2016 and the 2013/14 annual budget sets out in financial terms the Council's plans to continue to drive service transformation and downsizing.</li> <li>The Council have continued to undertake extensive consultation to help identify and confirm the corporate priorities and there is clear linkage to these priorities in the MTFS.</li> </ul>	 <b>Green</b>
<b>Review processes</b>	<ul style="list-style-type: none"> <li>A well established review process is in place to review and update the MTFS and in March each year it is approved alongside the forthcoming financial year annual budget. This regular review process is particularly important given the significant funding pressures the Council faces.</li> </ul>	 <b>Green</b>
<b>Responsiveness of the Plan</b>	<ul style="list-style-type: none"> <li>The MTFS is updated annually and the Council is aware of the imperative for Members to maintain a close review of the continuing financial position and emerging pressures, especially given savings of £29.2 million are required by the end of 2014/15 and a further reduction of up to £15.5 million in 2015/16.</li> </ul>	 <b>Green</b>





# 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
<b>Understanding the Financial Environment</b>	<ul style="list-style-type: none"> <li>The Senior Management Team and the Executive Board monitor the financial position regularly. Corporate Budget monitoring reports are produced on a quarterly basis.</li> <li>The Council has a proven track record of delivering the budget without unplanned variances.</li> <li>Portfolio Executive Members have been advised by senior Council Officers around government policy initiatives and changes, and are aware of the potential financial implications.</li> </ul>	 <p><b>Green</b></p>
<b>Executive and Member Engagement</b>	<ul style="list-style-type: none"> <li>The level of senior management and member level engagement in the financial management process remains appropriate.</li> <li>The Council continues to engage with residents and stakeholders to determine local priorities that then inform the corporate strategy and financial planning. "Your Services, Your Call" events were held in the borough where members and senior officers were available to speak and take questions. A range of other consultations has taken place and results have been brought together to inform budget preparation and more recently in the development of the local Council Tax support scheme.</li> <li>A training programme is in place for Members and this includes training on financial issues. Members of the Audit Committee have also attended specific training for example on Treasury management.</li> <li>The Audit Committee provides adequate challenge and has appropriate terms of reference in place.</li> </ul>	 <p><b>Green</b></p>
<b>Overview for controls over key cost categories</b>	<ul style="list-style-type: none"> <li>In-year financial forecasting remains good. Variances to budget are identified in a timely way and are clearly identified in the corporate budget monitoring reports.</li> <li>Budget holders are clear about their responsibilities.</li> <li>The outturn for 2012-13 was a net underspend of £0.1 million. This was consistent with the quarter three projections set out in the corporate budget monitoring report.</li> </ul>	 <p><b>Green</b></p>

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# Financial Governance

## Understanding and engagement

Area of focus	Summary observations	Assessment
Budget reporting: revenue and capital	<ul style="list-style-type: none"> <li>Strong and comprehensive project and risk management arrangements are in place to support the Council in the delivery of the required savings target.</li> <li>Capital spending totalled £45.8 million with an underspend of £2.6 million</li> </ul>	 <p>Green</p>
Adequacy of other Committee/ Cabinet Reporting	<ul style="list-style-type: none"> <li>The Council has appropriate reporting arrangements in place with quarterly Corporate budget monitoring reports provided to the Executive Board. Monthly portfolio budget monitoring reports are prepared and provided to Executive Members and subject to close review.</li> </ul>	 <p>Green</p>

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# 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 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
<b>Budget setting and monitoring - revenue and capital</b>	<ul style="list-style-type: none"> <li>The Council has well established budget setting processes that encourage ownership from budget holders.</li> <li>The Council has a good track record in managing budgets on a service by service basis.</li> <li>In year forecasting remains good with portfolio spend being contained to an aggregate variation of just 0.68%.</li> </ul>	 <b>Green</b>
<b>Performance against Savings Plans</b>	<ul style="list-style-type: none"> <li>The Council's out turn position for 2012-13 is an underspend of £98,000 against a revenue budget of £153.4 million</li> <li>The transformation programme, which commenced in 2010/11, has helped the Council deliver savings during 2011/12 and 2012/13. of some £38.4 million.</li> <li>The Transformation Board has overseen the delivery of savings through service redesign and alternative service delivery models. The approach will help secure the further savings required in the medium and longer term.</li> </ul>	 <b>Green</b>
<b>Key Financial Accounting Systems</b>	<ul style="list-style-type: none"> <li>The Council has systems and procedures in place to produce reliable financial monitoring and forecasting information, which is used alongside related performance information to support decision making.</li> <li>Work undertaken by Internal Audit includes reviews of the key financial systems.</li> <li>In 2012/13, the work carried out by IA identified some weaknesses in systems and procedures. However, the Head of Internal Audit was able to conclude that, overall, there is reasonable assurance that the Council's control environment is adequate in its effectiveness..</li> </ul>	 <b>Green</b>



# Financial Control

## Internal and external assurances

Area of focus	Summary observations	Assessment
<b>Finance Department Resourcing</b>	<p>The Council's finance department is regarded as sound with an appropriate level of technical skill and expertise in the team.</p> <p>There are appropriate arrangements in place to review the skill and grade mix of the team on a regular basis in response to the financial pressures and the changing needs of the rest of the Council.</p>	 <b>Green</b>
<b>Internal audit arrangements</b>	<ul style="list-style-type: none"> <li>• The Council has appropriate arrangements in place. Internal Audit is compliant with the CIPFA Code of Practice.</li> <li>• The Internal Audit service continues to provide a satisfactory service to the Council and there are good relationships with external audit.</li> <li>• A comprehensive risk based Internal Audit Plan is developed each year after consultation with service managers and others. The 2012-13 plan was subject to a significant revision in January 2013 reducing the planned days by 17% due to a number of factors including staff departures and unplanned investigation work.</li> <li>• The Internal Audit section is currently being re-structured and recruitment to fill the vacant posts is taking place in the coming weeks.</li> </ul>	 <b>Green</b>
<b>External audit arrangements</b>	<ul style="list-style-type: none"> <li>• Grant Thornton UK LLP became the Council's external auditors from November 2012.</li> <li>• External audit are provided with regular updates on the financial position through meetings with the Director of Finance and senior finance staff.</li> <li>• There were no issues identified for action from the 2011-12 Annual Audit Letter issued by the Audit Commission.</li> </ul>	 <b>Green</b>
<b>Assurance framework/ risk management</b>	<ul style="list-style-type: none"> <li>• Our on going discussions with the Director of Finance have clearly demonstrated a full understanding of the financial implications of the risks facing the Council. Appropriate actions were identified at an early stage and their implementation has enabled the Council to achieve the required savings to date.</li> <li>• Strong and comprehensive risk management arrangements are in place across the Council and have underpinned the delivery of the required savings and service transformation.</li> <li>• The financial implication of risks are also considered as part of the process for risk assessing the adequacy of general reserves.</li> </ul>	 <b>Green</b>

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Appendix - Key indicators of financial performance

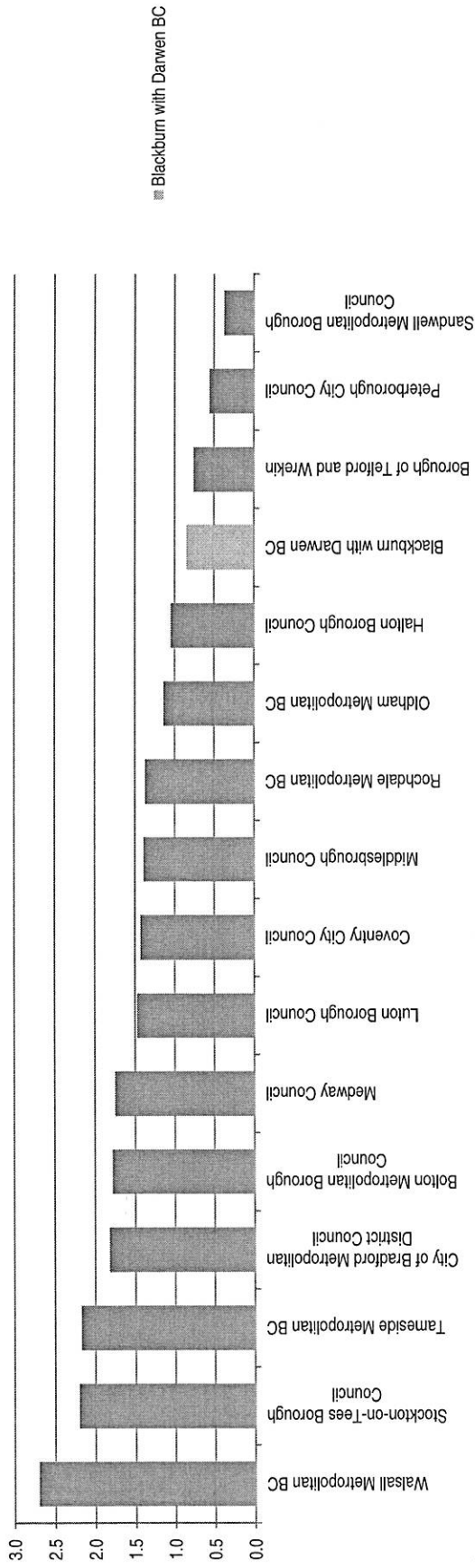
# Key Indicators of Financial Performance

## Working Capital Ratio - 2011/2012

**Definition** - The working capital ratio indicates if a Council has enough current assets, or resources, to cover its immediate liabilities - i.e. those liabilities to be met over the next twelve month period. A ratio of less than one - i.e. current liabilities exceed current assets - indicates potential liquidity problems. It should be noted that a high working capital ratio isn't always a good thing; it could indicate that a Council is not effectively investing its excess cash

**Findings** - The Council's 2011-12 working capital ratio is 0.85. The Council has the fourth lowest working capital ratio in the benchmarking group for 2011-12

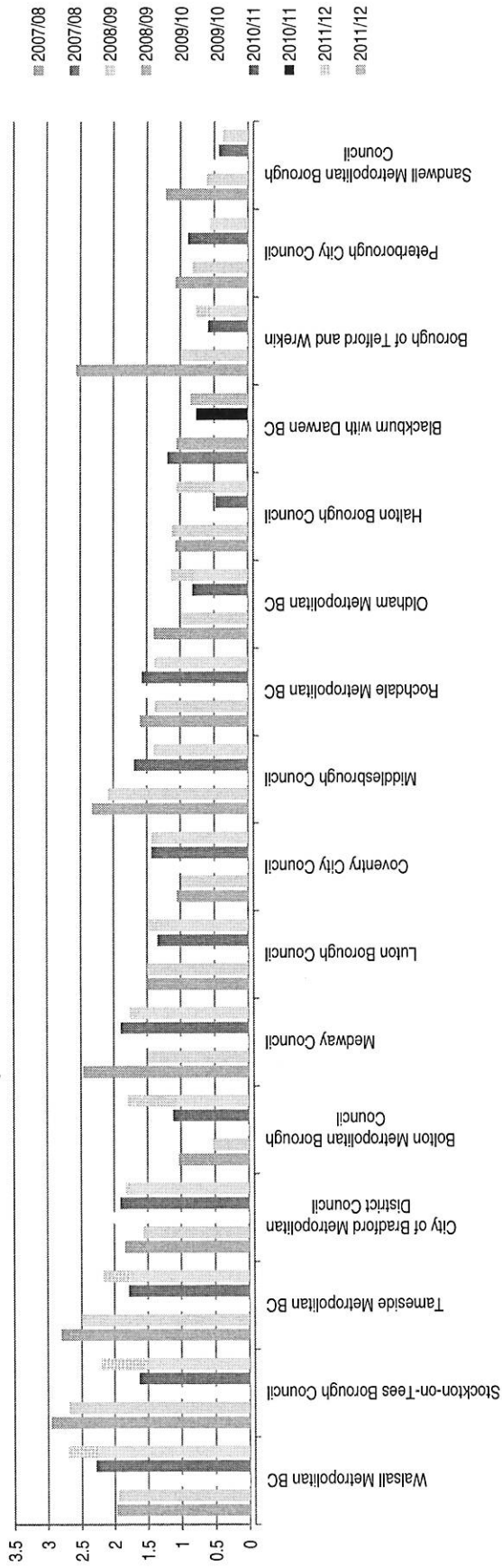
## Working Capital ratio - 2011-12



# Key Indicators of Financial Performance

## Working Capital Ratio - Trend

Working Capital Ratio - trend [in order of 2011-12 value]





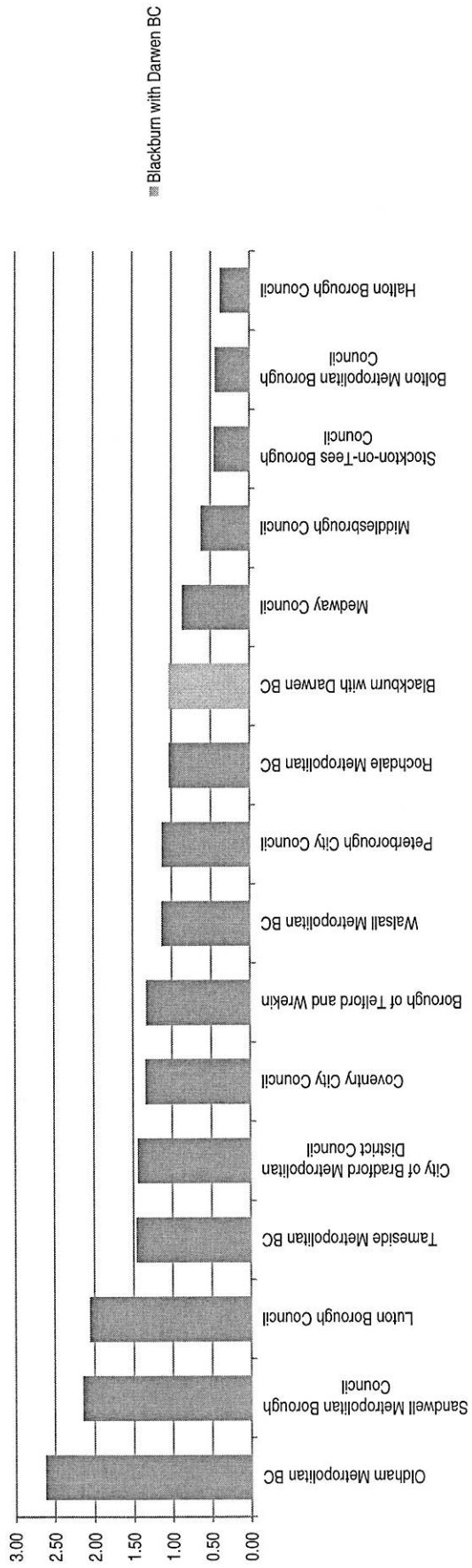
# Key Indicators of Financial Performance

## Long Term Borrowing to Tax Ratio - 2011/2012

**Definition** - Shows long term borrowing as a share of tax revenue. A ratio of more than one means that long term borrowing exceeds the total of council tax revenue, national non domestic rate income and revenue support grant.

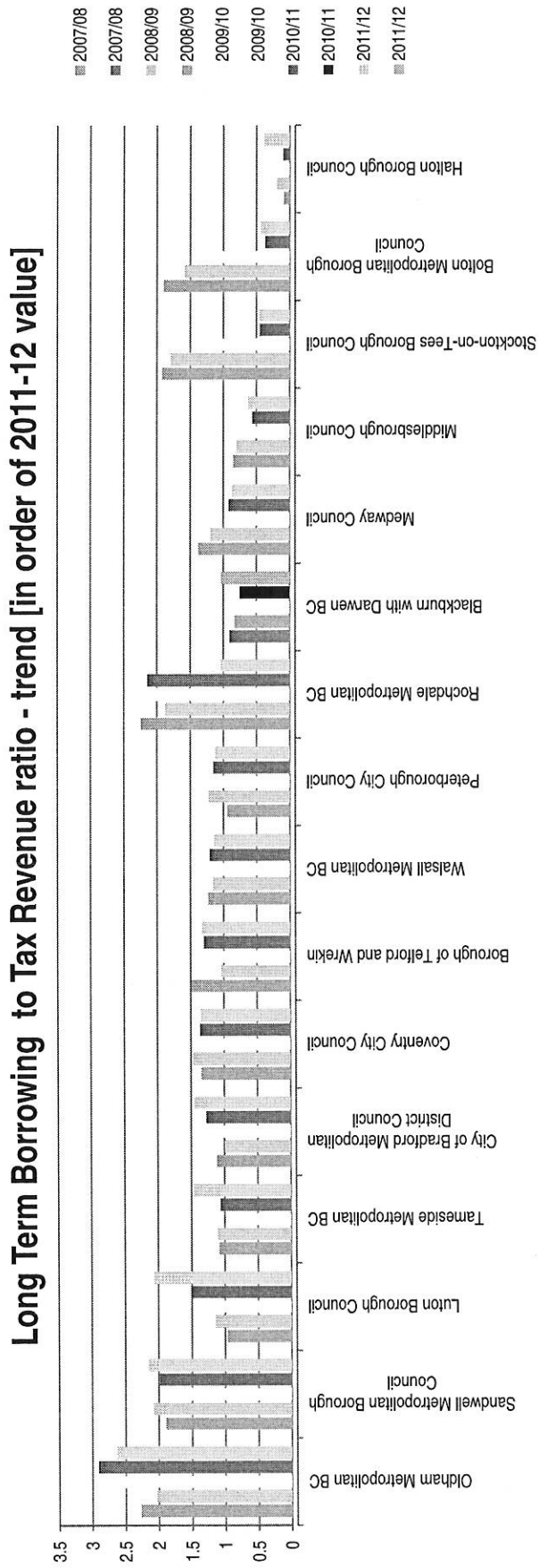
**Findings** - The Council's 2011-12 long term borrowing ratio as a proportion of tax revenue is 1.03 placing the Council broadly at the midpoint of its benchmarked group

### Long Term Debt to Tax Revenue ratio 2011-12



# Key Indicators of Financial Performance

## Long Term Borrowing to Tax - Trend



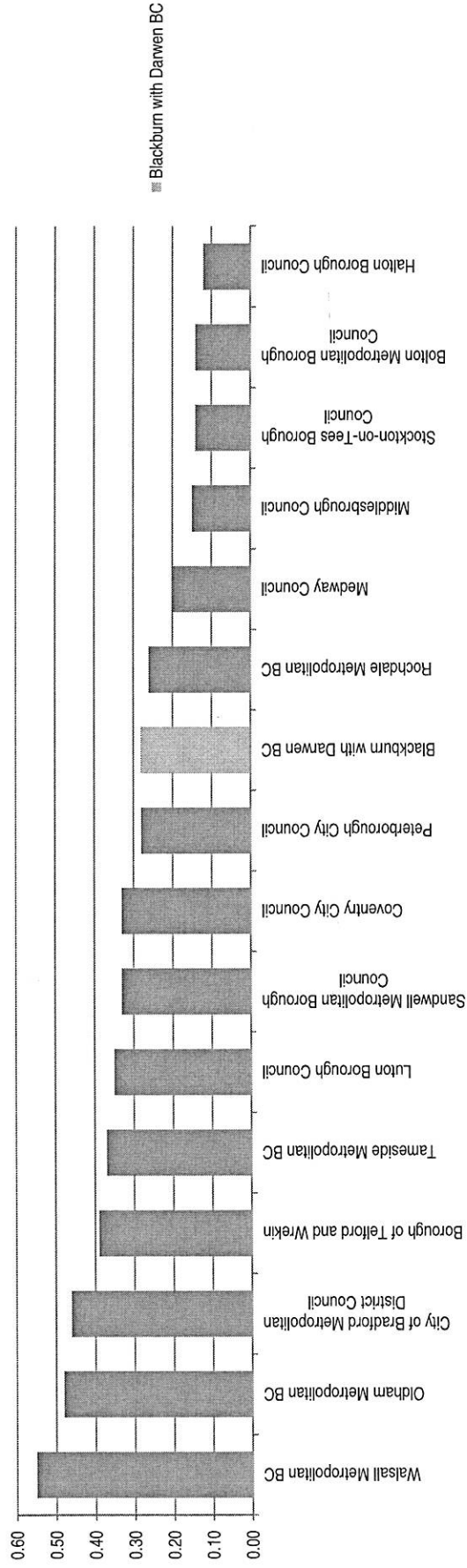
# Key Indicators of Financial Performance

## 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.

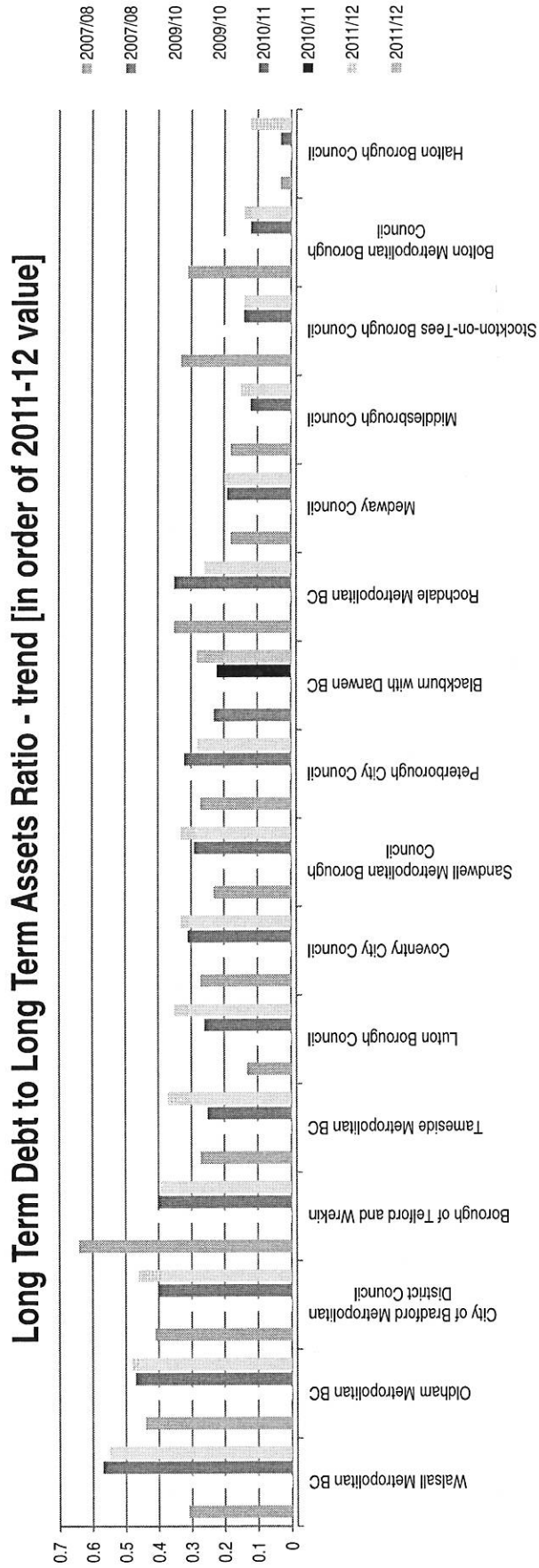
**Findings** - The Council's 2011-12 long term borrowing to long term assets ratio is 0.28, where the value of long term assets is 3.6 that of long term borrowing.

Long Term Debt to Long Term Assets ratio 2011-12



# Key Indicators of Financial Performance

## Long Term Debt to Long Term Assets - Trend



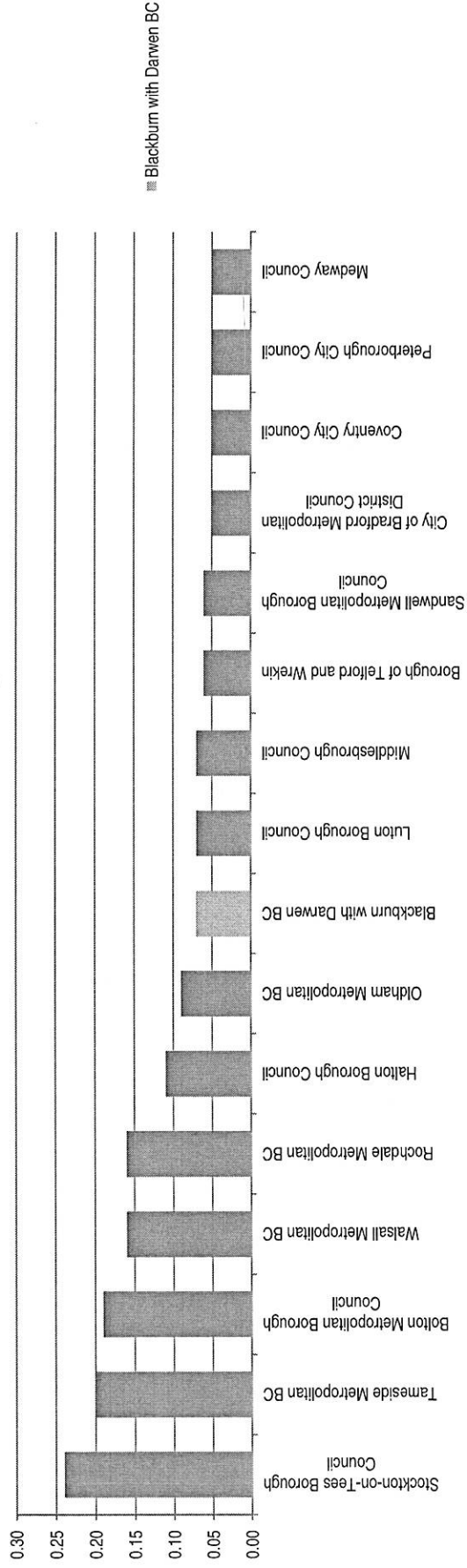
# Key Indicators of Financial Performance

## Usable Reserves to Gross Revenue Expenditure - 2011/2012

**Definition** - This ratio shows the Council's reserves which are available for use as a proportion of gross revenue expenditure. A higher ratio indicates the Council has a greater ability to fund expenditure from available reserves.

**Findings** - The Council's 2011-12 usable reserves to gross revenue expenditure total 0.07, broadly at the midpoint of the benchmarked group.

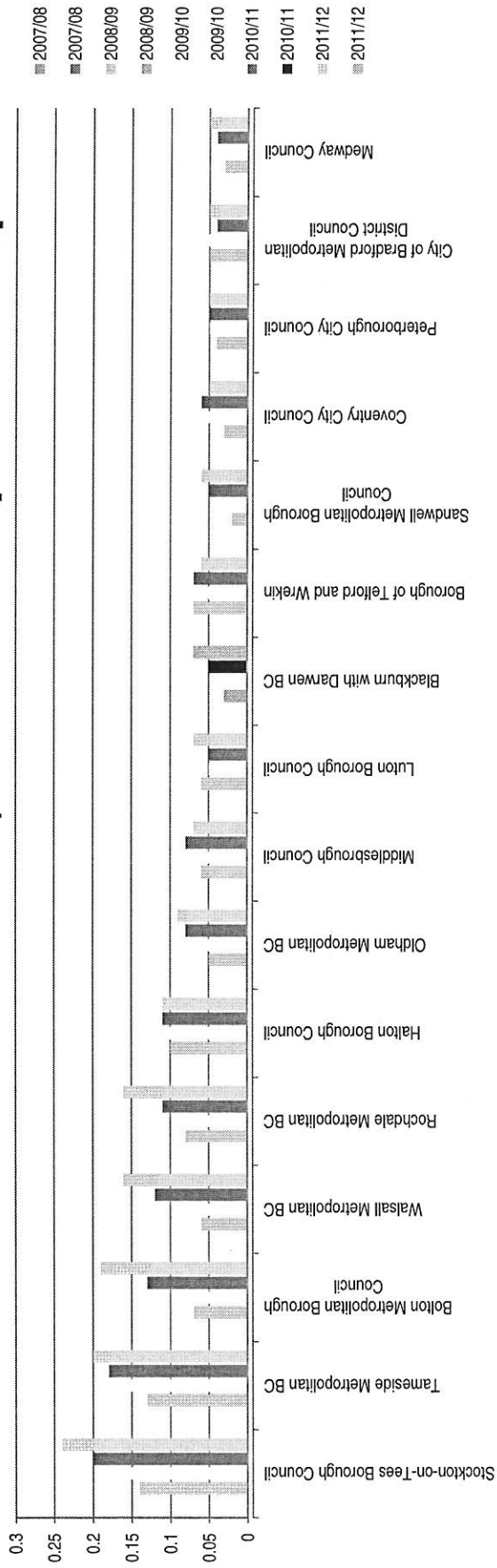
### Usable Reserves to Gross Revenue Expenditure ratio 2011-12



# Key Indicators of Financial Performance

## Usable Reserves to Gross Revenue Expenditure - Trend

Usable Reserves to Gross Revenue Expenditure ratio - trend [in order of 2011-12]



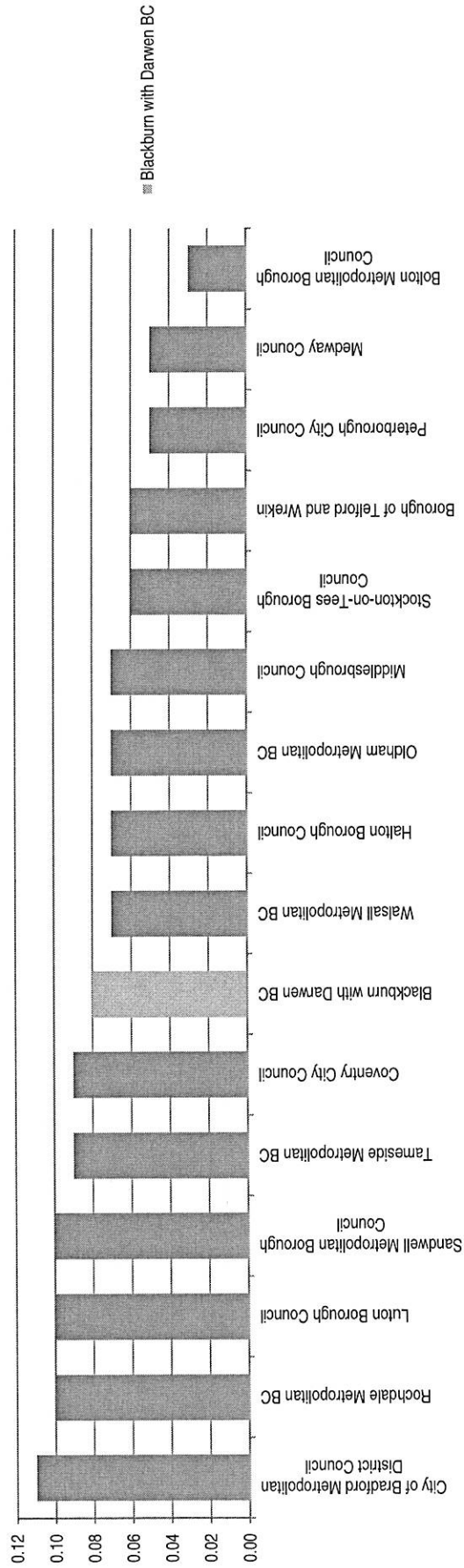
# Key Indicators of Financial Performance

## Schools Balances to Dedicated Schools Grant – 2011/2012

**Definition** - This shows the share of schools balances in relation to the total DSG allocation received for the year. For example a ratio of 0.02 means that 2 per cent of the total DSG allocation remained unspent at the end of the year.

**Findings** - The Council's schools are carrying forward 8% of the 2011/12 DSG, placing the Council around the mid-point of the group.

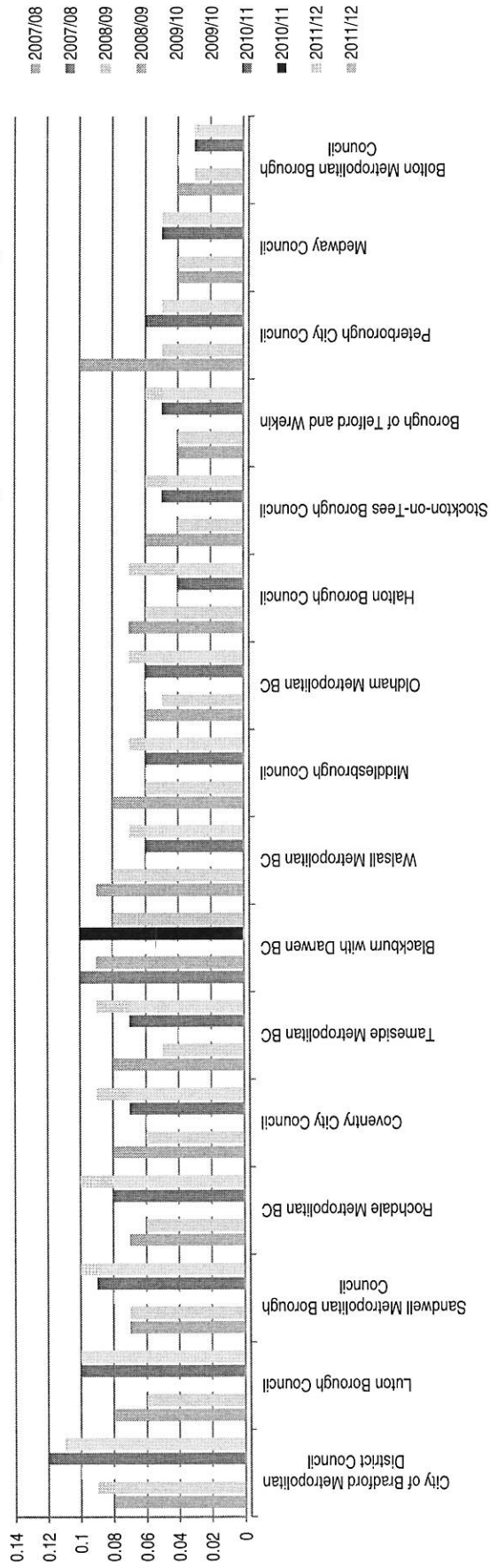
### Schools Balances to Dedicated Schools Grant ratio 2011-12



# Key Indicators of Financial Performance

## Schools Balances to Dedicated Schools Grant - Trend

Schools Balances to Dedicated Schools Grant ratio - trend [order of 2011-12]







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