

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

**Year ended 31 March 2013**

August 2013

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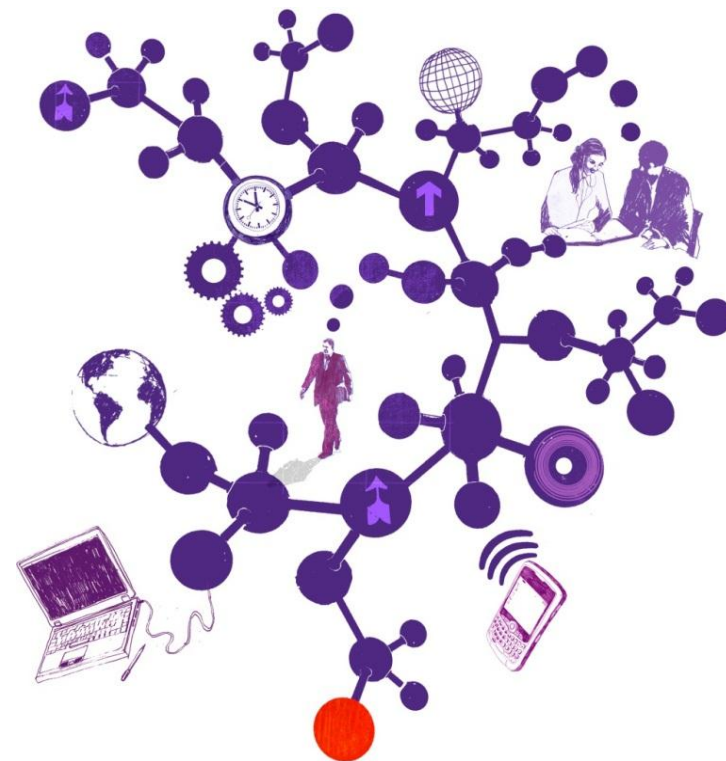
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to 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.

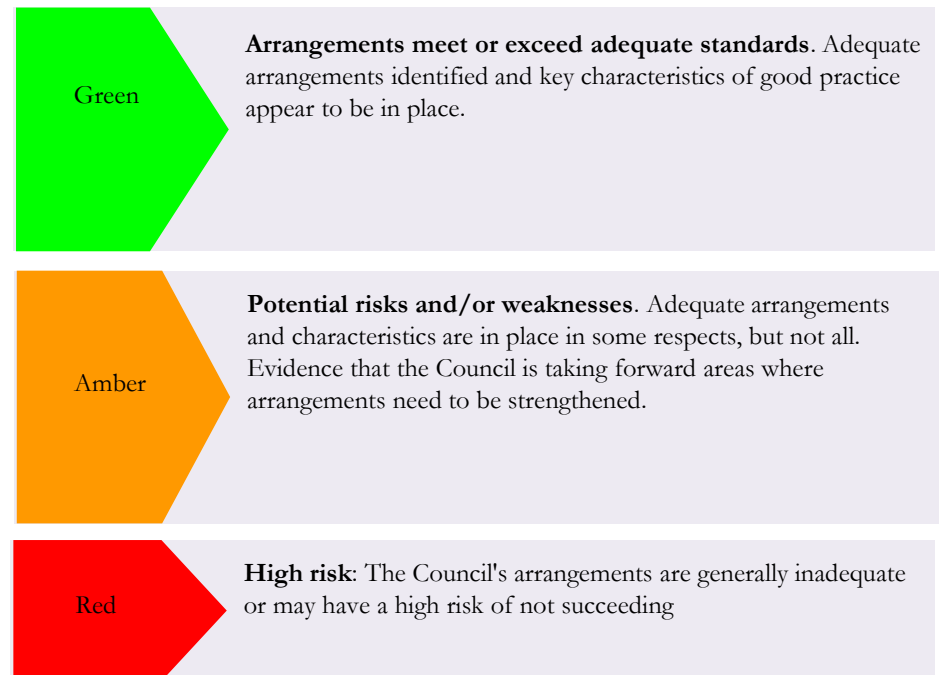
The definition of foreseeable future for the purposes of this financial resilience review is 12 months from the date of this report.

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.

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 challenges, particularly from 2014/15 onwards with significant reductions in future government funding, its current arrangements for securing financial resilience are good.

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



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# 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. 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

South Ribble is a district council in Central Lancashire covering an area of 44 square miles. Motorway and rail connections make the area accessible from most parts of Lancashire. South Ribble has a population of 109,200 with 18.2% of the population under 15 and 18.8 % over 65 years old. Unemployment is lower than the Lancashire, regional and UK averages.



South Ribble Borough Council is working in close partnership with Chorley Borough Council (a neighbouring authority) on Finance, Procurement, Audit and other centralised functions at the Council, as part of a shared financial services arrangement.

The Council spends slightly below average per head of population (2011/12 information), with a net spend of £312.53 per head compared with an average of £327.12.

The Council has set a three year budget plan up to 2016-17. The Plan sets out the requirement to balance a budget gap of £2.7m with a combination of efficiencies, new income and reserves, and other savings.



# Executive Summary

## Overview of Arrangements

| Risk area                     | Summary observations  | High level risk assessment   |
|-------------------------------|---|--|
| Key Indicators of Performance | <p>The key financial indicators of financial performance show that South Ribble has performed well in comparison to its nearest neighbours benchmarked group. The Council has no borrowing and liquidity levels are good. Relatively high levels of reserves, provide the Council with a good base to help it to meet the future funding challenges that affects all councils. Members do challenge the overall levels of reserves on an on-going basis throughout the year and in particular at final accounts time and when the budget is being set. However, in light of the relatively high levels of reserves the Council should continue to keep them under review in the context of the risks the Council faces going forward.</p>   | <br>Green   |
| Strategic Financial Planning  | <p>The Council has adopted a corporate approach to identifying savings to ensure savings levels are achieved. Budgets and savings were agreed at a corporate level by Members and senior officers. There is full engagement with senior management and members throughout the year and in particular as part of the budget setting process. This includes budget away days and cabinet workshops. There is an excellent awareness by both members and senior management of the risks associated with decision making which is driven by the Council's Business Transformation Programme.</p> <p>The Council has agreed a Medium Term Financial Strategy (MTFS) covering 2013-14 to 2016-17 which includes revisions arising from the latest local government settlement. The (MTFS) recognised the priorities set out in the Corporate Plan and the risks identified through the corporate risk assessment processes and includes realistic scenario planning based on latest available information. The Strategy identifies a requirement for £2.7m of savings. Further work is required to meet the budget gap and to provide greater certainty of the financial position for 2014-15. There remain significant financial uncertainties ahead, such as in respect of welfare reform and business rate retention. It remains important that the Council continues to make tough decisions to help bridge the current funding gap. This will require close consideration of service provision, alternative delivery models, review of income policies and council tax levels.</p> | <br>Green |

# Executive Summary

## Overview of Arrangements

| Risk area            | Summary observations  | High level risk assessment   |
|----------------------|---|--|
| Financial Governance | <p>The Council has a sound governance framework in place. This enables it to monitor the achievement of its strategic objectives and whether these have resulted in appropriate services and value for money. Through the planning and budget setting process, the Council's financial environment and financial performance is understood throughout the organisation. Budget reporting is comprehensive for both Revenue and Capital programme reporting. Quarterly budget monitoring reports to Members compare results against plan and compare against revised budget. Mitigations for any issues identified are reported within these reports. Members are actively engaged in the process. Clear and comprehensive reporting is undertaken at all levels and the Council has a good track record of delivering performance in line with budgets.</p> | <br>Green |
| Financial Control    | <p>The Council has an effective system of internal control which is designed to identify and prioritise the risks to the Council and then manage and monitor these. Through the shared financial services arrangement finance staff are experienced and appropriately qualified. The Council has maintained sound controls around the fundamental financial systems to ensure effective financial reporting throughout the year.</p>  | <br>Green |



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# Executive Summary

## Next Steps

The key challenges facing the Council going forward are:

- The need for robust governance and financial planning and management in local government is greater than ever. South Ribble Borough Council has robust arrangements in place to face these challenges. It will need to ensure that it continues to provide support to members to ensure effective challenge and decision making.
- The Council is faced with the continuing challenge of finding further savings which will become increasingly difficult. It will be essential therefore to ensure that its savings plans are clearly communicated, link to specific policy decisions, and that the impact on service levels and quality is clearly identified and monitored.

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Appendix - Key indicators of financial performance

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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



Further detail of the definitions and detailed analysis for each indicator is included in the Appendix to this report.

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

Amber Valley Borough Council  
Blaby District Council  
Broxtowe Borough Council  
Castle Point Borough Council  
Chorley Borough Council  
Erewash Borough Council  
Gedling Borough Council  
High Peak Borough Council  
Hinckley and Bosworth Borough Council  
Kettering Borough Council  
Lichfield District Council  
South Derbyshire District Council  
South Kesteven District Council  
South Staffordshire Council  
Staffordshire Moorlands District Council




# Key Indicators

## Overview of performance

| Area of focus    | Summary observations   | Assessment  |
|------------------|--|---|
| <b>Liquidity</b> | <p>The working capital ratio indicates whether a council has enough current assets to cover its immediate liabilities. The Council's working capital ratio was 5.16:1 at 31 March 2012 (1.14:1 at 31 March 2011). Comparative information on liquidity from the Council's statistical nearest neighbours (up to 2011/12) shows that South Ribble has the highest levels of liquidity. This is primarily down to the Council having a relatively low level of current liabilities as a result of having no external borrowing. The Council has instead chosen to fund its capital programme from available internal funds. This is a choice which the Council keeps under review through its Treasury Management policy.</p> <p>At 31 March 2012-13 £4.8m was held in cash balances, a reduction from 2011-12 at which point £5.9m was held. There has been an increase in short term investments in 2012/13 of £1.4m and the cash position at South Ribble remains strong.</p> | <br><b>Green</b> |
| <b>Borrowing</b> | <p>The Council continues to have no short or long term borrowing and only a very small degree of other long term liabilities (£1.4m) as at 31 March 2013, which relates to a deferred purchase arrangement relating to its leisure centres. The Audit Commission's nearest neighbour benchmark data for 2011/12, shows that the Council has one of the lowest levels of debt compared to both tax and long term assets.</p>  | <br><b>Green</b> |

# Key Indicators

## Overview of performance

| Area of focus   | Summary observations  | Assessment  |
|---|---|---|
| <b>Workforce</b>  | The Council has continued to reduce its sickness absence levels which in previous years were higher than average for the public sector. The Council's absence level during 2011-12 of 6.64 days per FTE represents a 36.3% reduction since 2007/08. Absence levels for 2011/12 are lower than the average across the public sector but remain higher than the average across the private sector (5.7 days). The latest information for 2012/13 shows an on-going reduction to 6.19 days .   | <br><b>Green</b>   |
| <b>Performance Against Budgets: revenue &amp; capital</b> | <p>The Council has a good track record in achieving its revenue budget and managing financial performance. In 2011-12, the Council achieved a surplus against the final budget of £0.1m and in 2012-13 a surplus of £0.7m was achieved against a budget of £13.2m (after contributions to provisions and reserves).</p> <p>The Council set a revised capital programme during 2012/13 of £3.7m , however, slippage on a number of schemes resulted in capital expenditure of £3. 1m, with the Council re-profiling expenditure connected with some IT schemes and housing grants and its associated financing into 2013/14. The performance of the capital programme is reviewed during the year by the Scrutiny Committee and indeed the level of slippage in 2012/13 is lower than in previous years. There are no significant issues identified with costs of individual schemes at this stage.</p>  | <br><b>Green</b>   |
| <b>Reserve Balances</b>                                   | <p>Total Usable Revenue Reserves at 31 March 2013 were £ 13.4m, an increase of £1.3m on the previous year. Within these, the General Fund Reserve balance increased by £ 0.7m to £4.9m, and Earmarked Reserves increased by £0.6m to £8.5m.</p> <p>When compared to the Audit Commission nearest neighbour benchmark group, the Council had the highest level of useable revenue reserves compared to gross revenue expenditure at the 2011-12 year end. The Local Government Act 2003 requires the Chief Financial Officer (CFO) to report upon the adequacy of reserves. Members do challenge the overall levels of reserves on an on-going basis throughout the year and in particular at final accounts time and when the budget is being set. In the 2013/14 budget report the CFO commented that the level of reserves were considered adequate to support the delivery of the Council's Corporate Plan in the context of current financial challenges but would be kept under review as appropriate.</p> | <br><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 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 (MTFS)

| Area of focus   | Summary observations  | Assessment  |
|---|---|---|
| <b>Focus of the MTFS</b>                              | The Council has a Medium Term Financial Strategy (MTFS) for the period 2013/14 to 2016/17 which was approved by Cabinet in February 2013. Budget savings for 2013/14 have been included within the strategy, however, going forward, changes to core grant funding highlight a forecast budget deficit by the end of 2016/17 of £2.7m.  |   |
|   | The strategy focuses on delivering year on year efficiencies and additional income as well as support from the General Fund Reserve to help fund the budget gap. Given the relatively healthy position of reserves and balances at the Council a more measured and considered approach to identifying efficiencies is undertaken by South Ribble. As part of the transformation programme detailed service reviews are undertaken on each service where proposals for savings are identified and agreed with the Council's management team and members. At this stage proposals then become embedded and adopted. | <br><b>Green</b>   |
| <b>Adequacy of planning assumptions</b>               | The Council has a good track record of achieving its budget and its cost savings requirements. A surplus of £0.7m was achieved during 2012/13 whilst also delivering efficiency savings of £0.6m. For 2014-17, the Council is working on assumptions and planning to meet the projected funding gap of £2.7m through its transformation programme.  |   |
|   | The Council reviews the assumptions within its medium term plans as new information becomes available to mitigate against uncertainties in the level of future funding to be received from Government and the impact on savings required. However, given the current inherent uncertainties in the level of future funding to be received from Government and impact on savings required, this has been assessed as amber.  | <br><b>Amber</b>  |
| <b>Scope of the MTFS and links to annual planning</b> | The Medium Term Financial Strategy (MTFS) recognised the priorities set out in the Corporate Plan and the risks identified through the corporate risk assessment processes and includes realistic scenario planning based on latest available information. The Strategy recognises the continued and significant uncertainty surrounding core government grant funding as a result of the new funding regimes that had come into effect in the last couple of years.  |   |
|   | The Council has a robust scrutiny process in place to ensure proposals are effectively developed and agreed. The corporate management team and members meet to discuss budget proposals which are subject to further scrutiny throughout the budget process.  | <br><b>Green</b> |



# Strategic Financial Planning

## Medium Term Financial Strategy

| Area of focus                     | Summary observations   | Assessment   |
|-----------------------------------|--|--|
| <b>Review processes</b>           | The strategy is updated annually when the Council is preparing and setting its budget for the forthcoming year and is refined as detailed Government funding settlements become known. The strategy is also kept under review throughout the year as new information becomes available.  | <br>Green |
| <b>Responsiveness of the Plan</b> | <p>In developing its medium term plans the Council challenges directorates to develop detailed business cases to support their budget proposals which are then subject to challenge and review.</p> <p>The Council has a good track record of delivering financial performance in line with budget and achieving required savings. Through revenue budget monitoring, and reporting to the Governance Committee and to Cabinet, the Council is able to monitor the performance of services against budgets and respond to significant cost pressures and issues identified. In addition the Scrutiny Committee also plays an important role in monitoring the Council's overall performance.</p> | <br>Green |

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# 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>        | The Council has a good track record in financial and risk management. It is financially sound, and identifies and delivers efficiency savings. The Council has demonstrated a good understanding of the current financial environment and in particular the implications of the reductions in central government funding. Members and senior management are fully informed to enable effective business planning. They are kept up to date and this is evidenced through sessions themed on understanding the financial environment and proposals for responses to risks identified. | <br>Green   |
| <b>Executive and Member Engagement</b>                | Engagement by members and senior management is excellent at the Council. There is an open management style which encourages active participation and challenge. There is a clear culture of transparency and openness, which is led by the Chief Executive. There is clear evidence of Members providing effective scrutiny and challenge of decision making processes at the Council.   | <br>Green   |
| <b>Overview of controls over key cost categories</b>  | Progress against savings plans are reported throughout the year. These reports consider the savings delivered and any potential issues or risks in achieving the overall savings and provide an effective monitoring process.<br>Regular revenue budget monitoring is reported to the Cabinet and the Governance Committee and provides members with performance information regarding the delivery of savings and actions required going forward.   | <br>Green  |
| <b>Budget reporting: revenue and capital</b>          | Budget reporting is comprehensive for both Revenue and Capital programme reporting. Quarterly budget monitoring reports to Members compare results against plan and compare against revised budget. Mitigations for any issues identified are reported within these reports.   | <br>Green |
| <b>Adequacy of other Committee/ Cabinet Reporting</b> | The Council has effective scrutiny arrangements. In addition to reports to the Governance Committee on the financial position and Treasury management, reports are provided regularly to the Scrutiny Committee who provide a further level of challenge, alongside reviewing any impact on performance.   | <br>Green |

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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> | <p>The Council has a robust and effective business planning and budget setting process, which takes into account the views of stakeholders and includes rigorous review by Members. The Council manages budgets well and this is evidenced by a good track record in achieving the overall budget and mitigating any overspends identified in year.</p> <p>Through the business planning process, the Council has a good understanding of its costs and performance and considers different ways of achieving savings through service redesign to identify areas where services can be provided more effectively and efficiently. Recent examples include its review of catering services and the restructure of the shared financial services arrangement. The Council has an effective Treasury Management strategy in place which is reported regularly to the Governance Committee.</p> | <br>Green   |
| <b>Performance against Savings Plans</b>                   | <p>The Council has an excellent track record of achieving savings targets and meeting its budget. Since 2009/10 the Council has delivered £5.7m of annual efficiencies, analysed between:</p> <ul style="list-style-type: none"><li>• 2009/10 £2.03m</li><li>• 2010/11 £1.18m</li><li>• 2011/12 £1.84m</li><li>• 2012/13 £0.64m</li></ul> <p>The Council's Medium Term Financial Services for the period 2013/14- 2016/17 currently forecasts a cumulative budget gap of £2.7m which presents a significant challenge and more radical budget proposals are likely to be required. The Council is developing a number of scenarios to manage this delivery and work is currently on-going to complete business plans, as part of this process.</p>  | <br>Green |
| <b>Key Financial Accounting Systems</b>                    | <p>The Council has sound financial systems to deliver effective financial reporting to its demanding standards and timetable. Internal Audit has undertaken a number of reviews during 2012/13 of the Council's key financial systems. All financial systems reviewed were assessed as having a substantial controls rating, meaning that the Council could place sufficient reliance on the controls. Only minor control weaknesses existed.</p>   | <br>Green |

# Financial Control

## Internal and external assurances


| Area of focus                        | Summary observations   | Assessment   |
|--------------------------------------|--|--|
| <b>Finance Department Resourcing</b> | <p>The Council's Finance function forms part of the shared financial services arrangements with Chorley Borough Council. The section comprises of experienced accountants who provide a good service to the Council's senior management and to Members. Finance reports are clear and concise and regularly provide insightful information into the current financial position of the Council as well as highlighting future challenges.</p> <p>The 2011/12 financial statements were audited and published without any material errors identified and within the necessary timescale. The 2012/13 financial statements were produced for audit on 26th June 2013, with an anticipated opinion date of 30 September 2013. At this stage no material errors have been identified.</p>   | <br>Green   |
| <b>Internal audit arrangements</b>   | <p>The Council's Internal Audit Section also forms part of the shared financial services arrangement with neighbouring Chorley Borough Council. The Section provides an effective internal audit function which complies with CIPFA standards. The Section is continually seeking to improve and demonstrate efficient working practices whilst maintaining high quality standards. Recent examples of this include the retention of ISO 9001 accreditation, undertaking a self assessment of compliance against the CIPFA Code of Practice for Internal Audit in Local Government and customer satisfaction results showing 96% satisfaction by client departments.</p> <p>Internal Audit plans are approved by the Governance Committee annually and action plans and progress reports are provided to the Committee on a regular basis.</p> | <br>Green  |
| <b>External audit arrangements</b>   | <p>External audit are provided with regular updates through quarterly meetings with the Chief Executive and Monitoring Officer. On-going meetings are held throughout the year with the Head of the Shared Financial Service and the Head of Assurance. External Audit also has regular access to members through its attendance at the Governance Committee. External audit reports have been positive about the Council and where necessary action is taken in a timely manner to address any areas for improvements.</p> <p>There are open and honest two-way communications between the audit team, council officers and the Governance Committee. No formal reporting actions have needed to be taken by external audit.</p>  | <br>Green |



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# Financial Control

## Internal and external assurances

| Area of focus                              | Summary observations  | Assessment  |
|--|---|---|
| <b>Assurance framework/risk management</b> | <p>The Council's approach to risk management is embedded through the authority. All reports contain a section where consideration has been given to the impact of any proposals covering the areas of financial, legal and risk. Members are provided with updates regarding the actions taken by management to address key risks and opportunities identified in the Corporate Risk Register. The Council's senior management team constantly re-assess the key corporate risks affecting South Ribble and evidence has been seen where new risks have been added during the year.</p> <p>The Corporate Risk Register sits alongside the Corporate Plan, and is presented to the Scrutiny Committee on a quarterly basis and monitored biannually by Governance Committee. Outcomes from the key actions contained in the Corporate Plan mitigate the risks identified in the Corporate Risk Register .</p> <p>The Council's 2012/13 Annual Governance Statement highlights the overall assurance framework in place and confirms that South Ribble has approved and adopted a code of governance that is consistent with the principles of the CIPFA/SOLACE "Delivering Good Governance in Local Government Framework". Progress against Annual Governance Statement issues are reported to the Governance Committee throughout the year.</p> | <br><b>Green</b> |

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# Key Indicators of Financial Performance

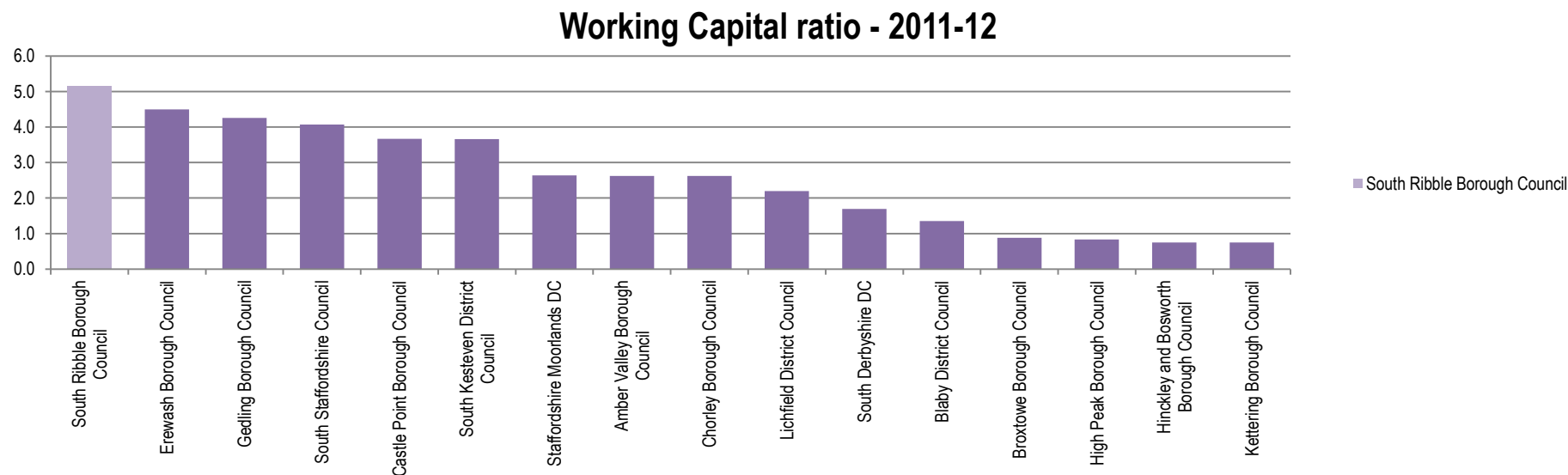
## Working Capital Ratio - 2011/2012

### 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. 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 an authority is not effectively investing its excess cash.

### Findings

The Council's working capital ratio was 5.16 in 2011/12, indicating that its current assets could cover its immediate liabilities five fold.



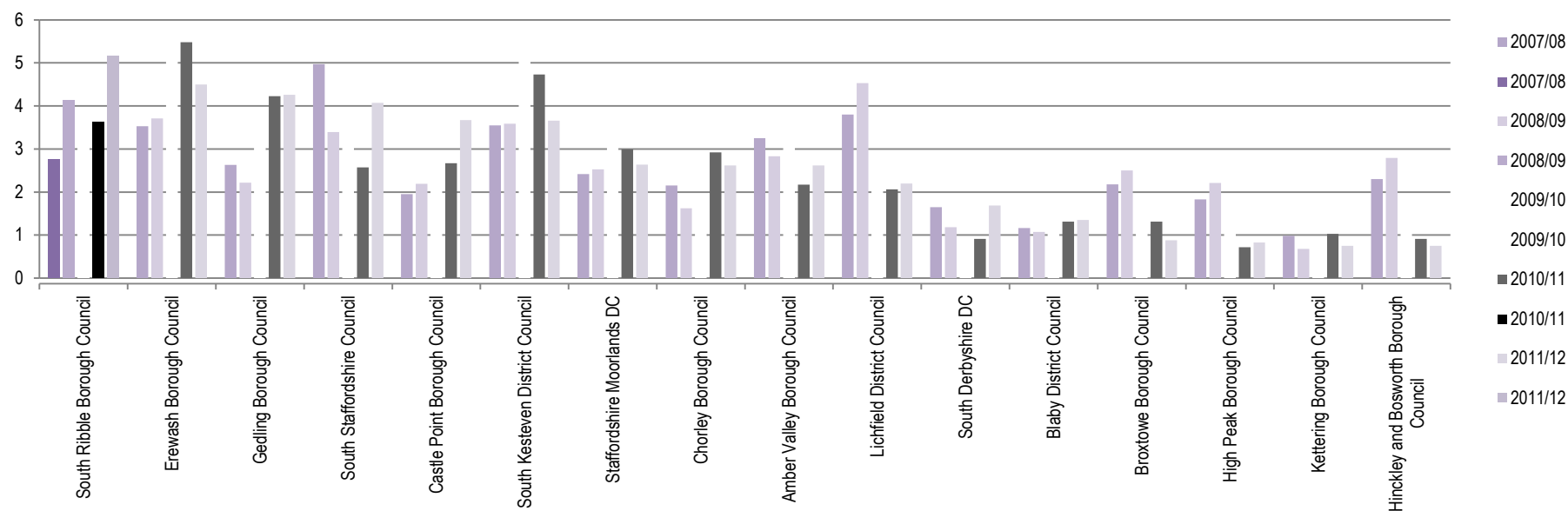
# Key Indicators of Financial Performance

## Working Capital Ratio – Trend

### Findings

There is a mixed picture in terms of the movement in working capital ratios across the nearest neighbours. 9 out of the 16 boroughs have increased their working capital ratio from 2007-08 to 2011-12, whilst the remaining 7 have seen a decrease over the same period. Of those boroughs with an increasing working capital ratio the average increase is around 36%. This Council has seen an increase of approximately 88% (2007-08 (2.75) to 2010-11 (5.16) indicating that the Council's rate of increase is significantly greater than most of its nearest neighbours. The Council has the highest working capital ratio in the benchmarking group for 2011-12.

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



# Key Indicators of Financial Performance

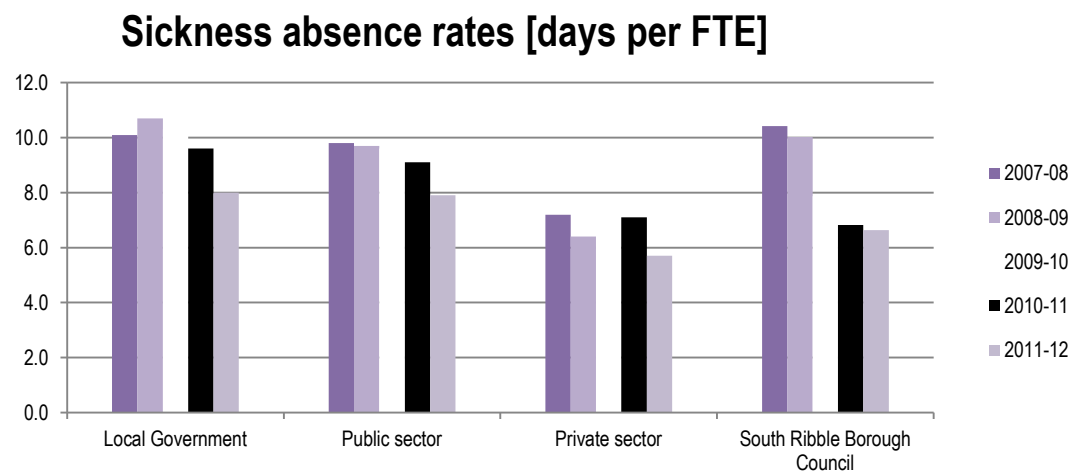
## Workforce – Sickness absence levels

### Background

Costs that accrue from sickness absence relate to the hiring of agency staff to cover staff gaps, or from holding a larger workforce complement than is desirable. Absence also damages service levels either through staff shortage or lack of continuity. Reducing absenteeism saves money, improves productivity and can have a positive customer benefit. Absence management will be a particular challenge for all authorities given the context of significant pressures on staff to deliver "more for less".

### Findings

The Council's sickness absence levels have reduced over the past four years. The Council's absence level during 2011-12 of 6.64 days per FTE represented a 36.3% reduction since 2007/08. The Council's sickness absence levels for 2011/12 are below the average sickness levels for local government and the wider public sector and slightly above the private sector.



# Key Indicators of Financial Performance

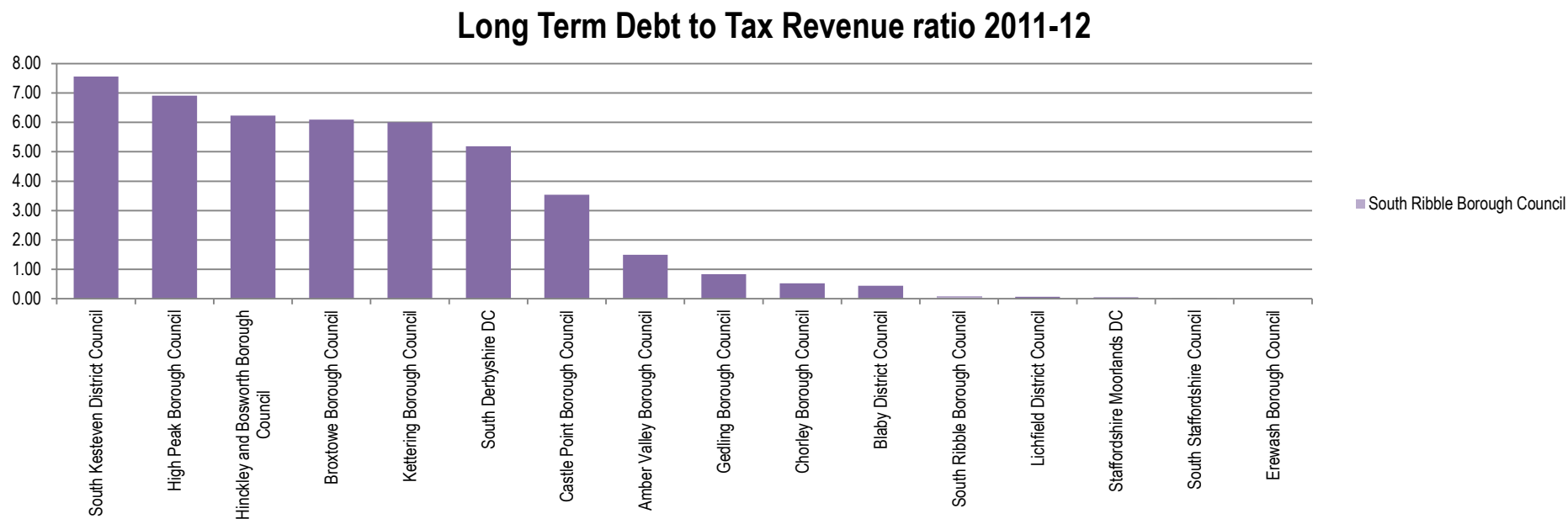
## Long Term Debt to Tax Ratio - 2011/2012

### Definition

Shows long term debt as a share of tax revenue. A ratio of more than one means that long term debt exceeds council tax revenue.

### Findings

The Council's long term debt ratio (as a percentage of tax revenue) is 0.09% and is in line with the Council's Treasury Management Strategy of maintaining low levels of borrowing. The Council is only one of only 5 Council's within its benchmarked group that has a long term borrowing ratio of less than 0.1%.



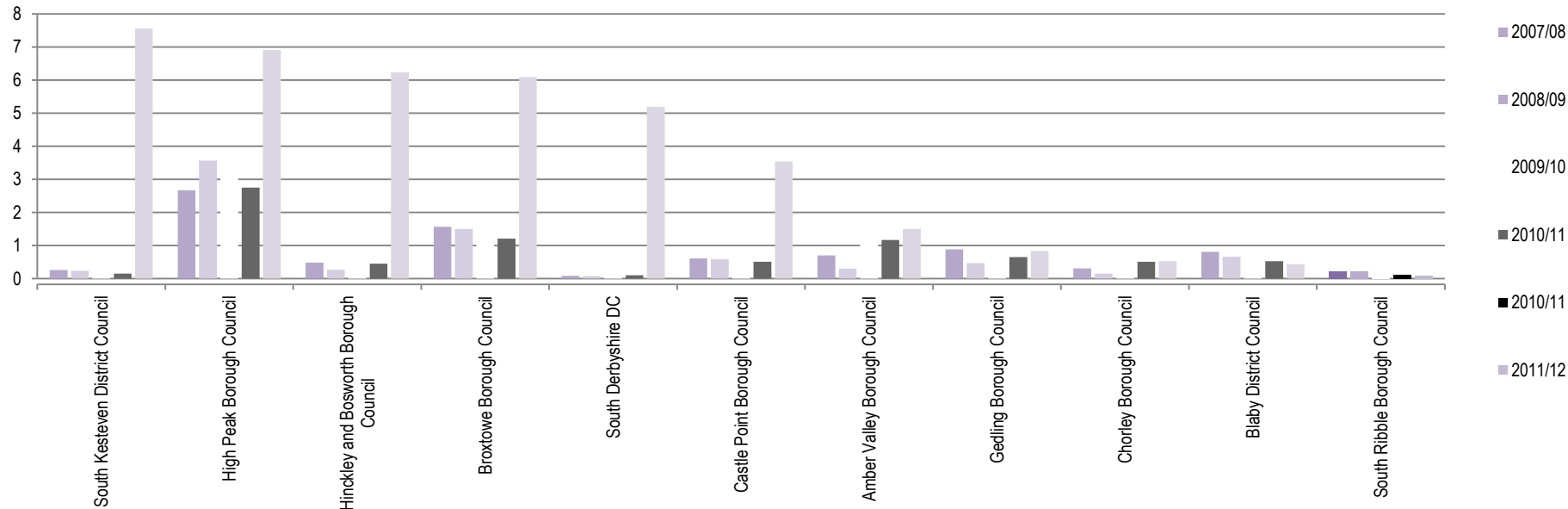
# Key Indicators of Financial Performance

## Long Term Debt to Tax – Trend

### Findings

The Council's long term debt ratio (as a percentage of tax revenue) has reduced by 61% (from 0.23% (2007-08) to 0.09% (2011-12)). This downward trend bucks the benchmark groups trend which shows an average increase of 351% of long term debt compared to tax revenue. The Council has the lowest level of long term debt to tax ratio when compared over the five year period.

Long Term Debt to Tax Revenue ratio - trend [in order of 2011-12 value]



# Key Indicators of Financial Performance

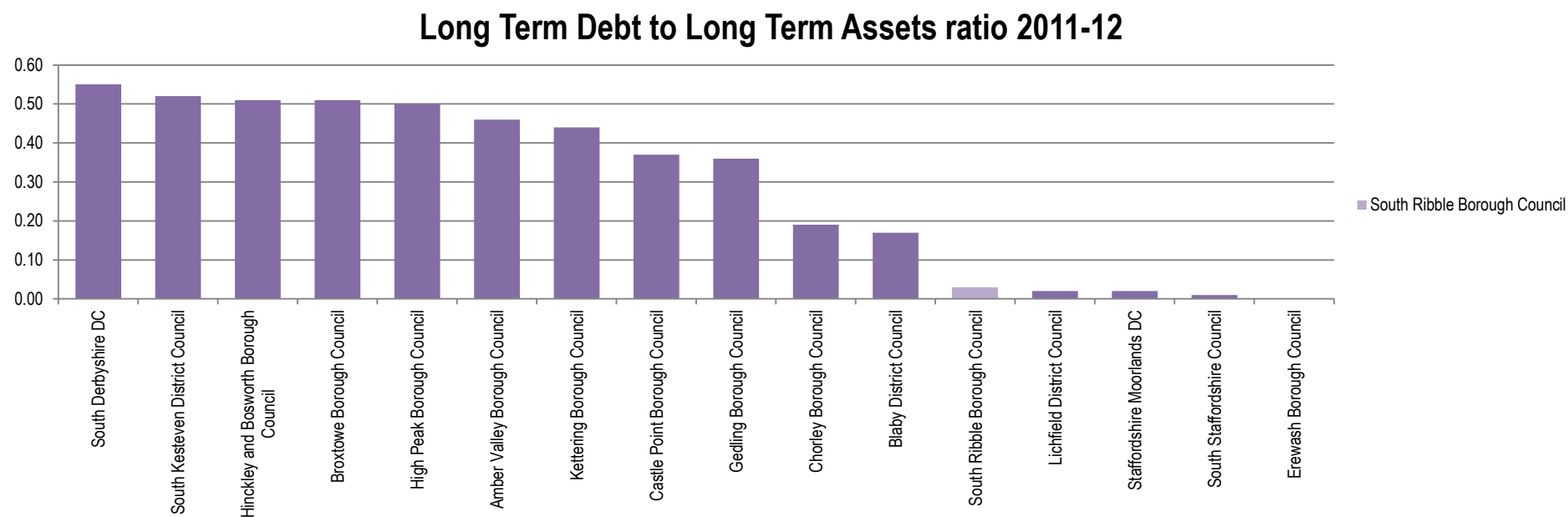
## Long Term Debt to Long Term Assets - 2011/2012

### Definition

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

### Findings

The Council's long term debt to assets ratio is 0.03 % which reflects the Council's Treasury Management Strategy. The majority of the benchmarked group (15 out of 16) have reduced their ratios during the same period, with an average decrease for the nearest neighbours group of 25%. The Council is consistent with this overall trend, as councils reduce their exposure to long-term borrowing.



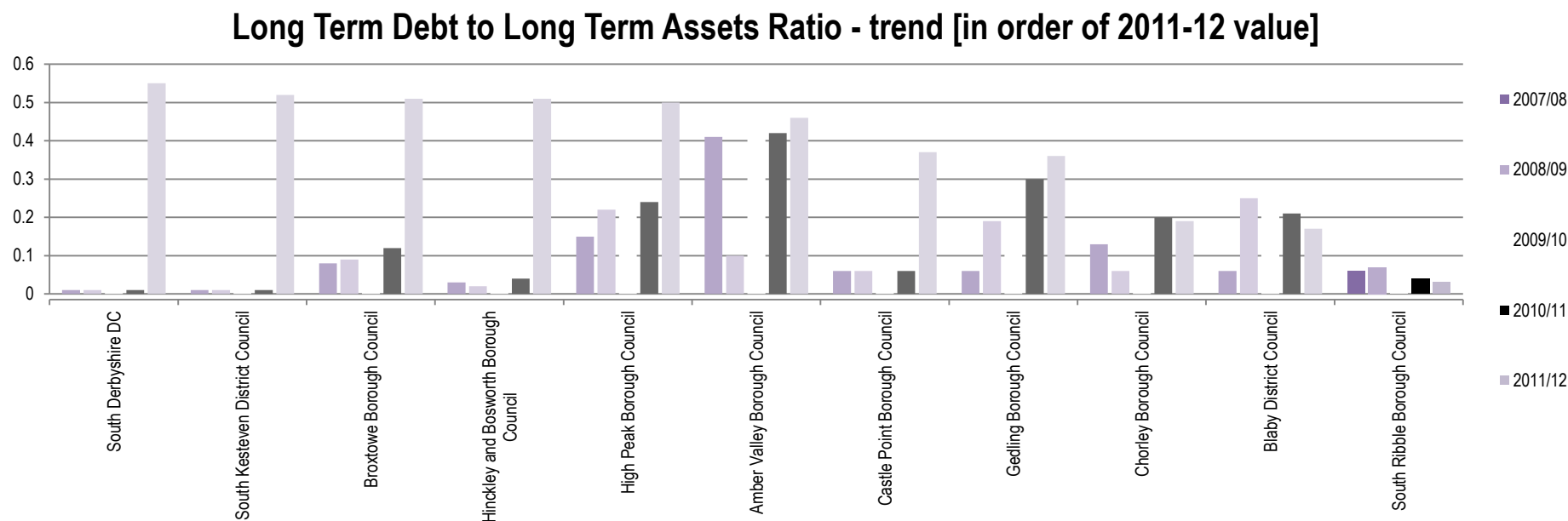


# Key Indicators of Financial Performance

## Long Term Debt to Long Term Assets – Trend

### Findings

The Council's long term debt to assets ratio has decreased by 50% from 2007-08 (0.06%) to 2011-12 (0.03%). The Council is the only one within its benchmarked group that has seen the level long term debt compared to long term assets fall. Of the benchmarked group that provided data against this indicator the average increase in long term debt was 293.4%.



# Key Indicators of Financial Performance

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

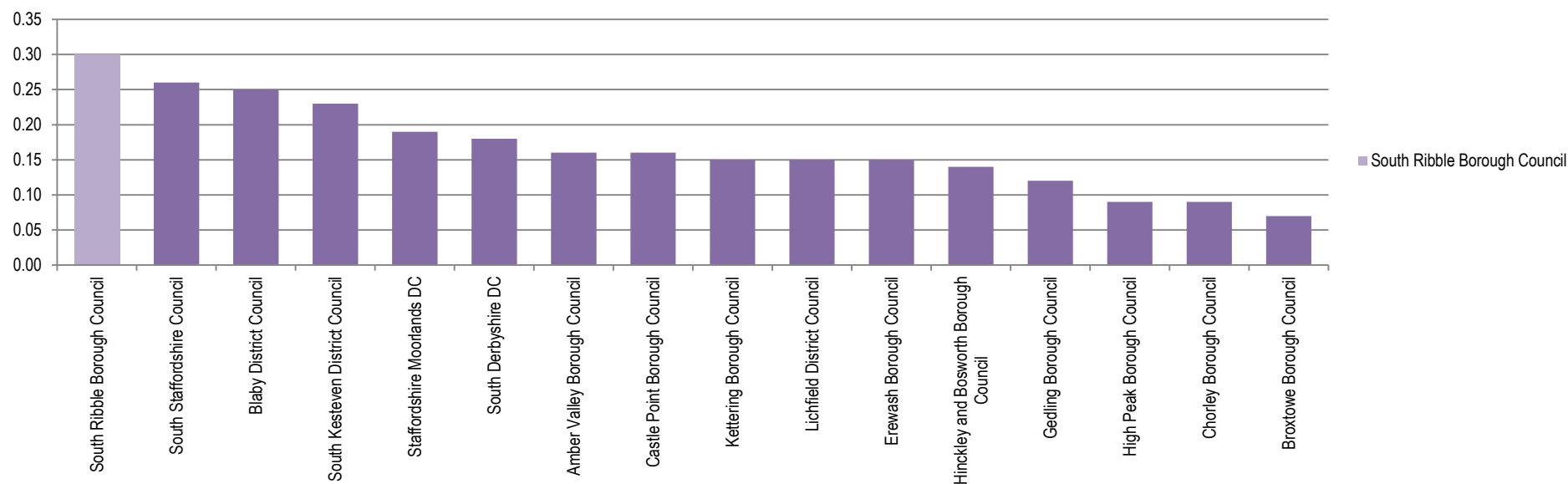
### Definition

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

### Findings

The Council has the highest level of usable reserves (0.30) compared to gross revenue expenditure when compared with its benchmark group. 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.

Usable Reserves to Gross Revenue Expenditure ratio 2011-12

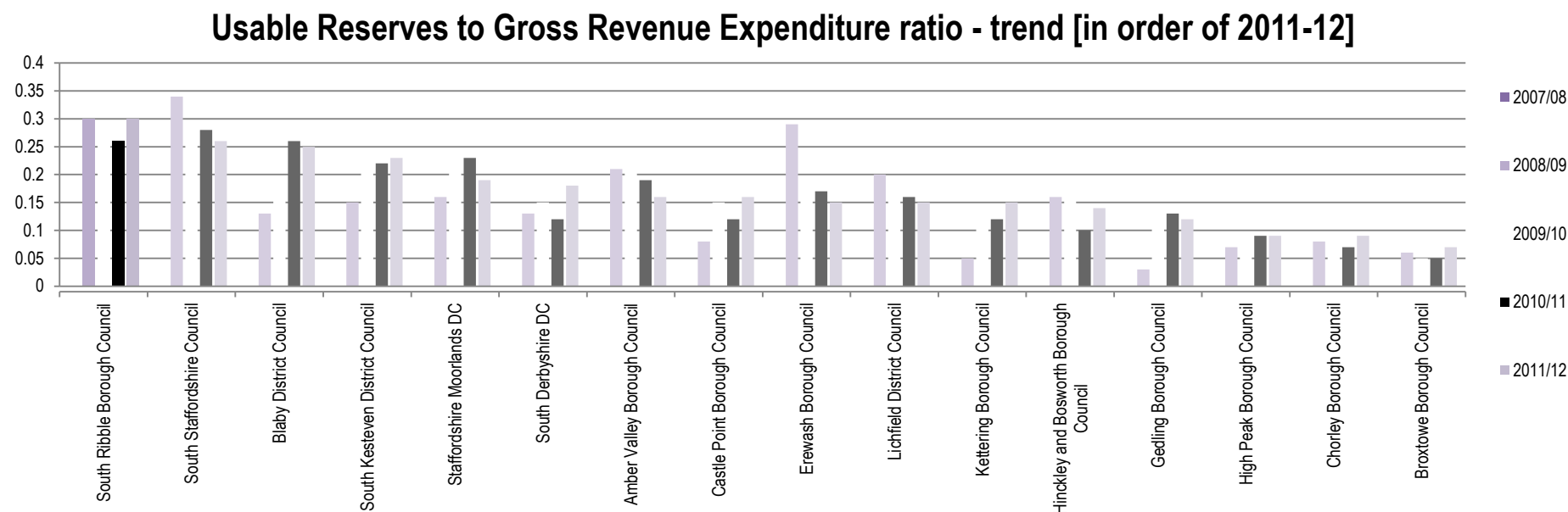


# Key Indicators of Financial Performance

## Usable Revenue Reserves to Gross Revenue Expenditure – Trend

### Findings

Between 2007-08 and 2010-11 the Council's value of its useable reserves (as a percentage of expenditure) has remained constant at 0.30. Reserves fell slightly in 2010/11 by 0.04, however returned to 2008/09 levels by the end of 2011/12. There is no clear trend in the nearest neighbours group, with some authorities increasing their reserves (as a percentage of expenditure) and others decreasing their reserve levels.





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