

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

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

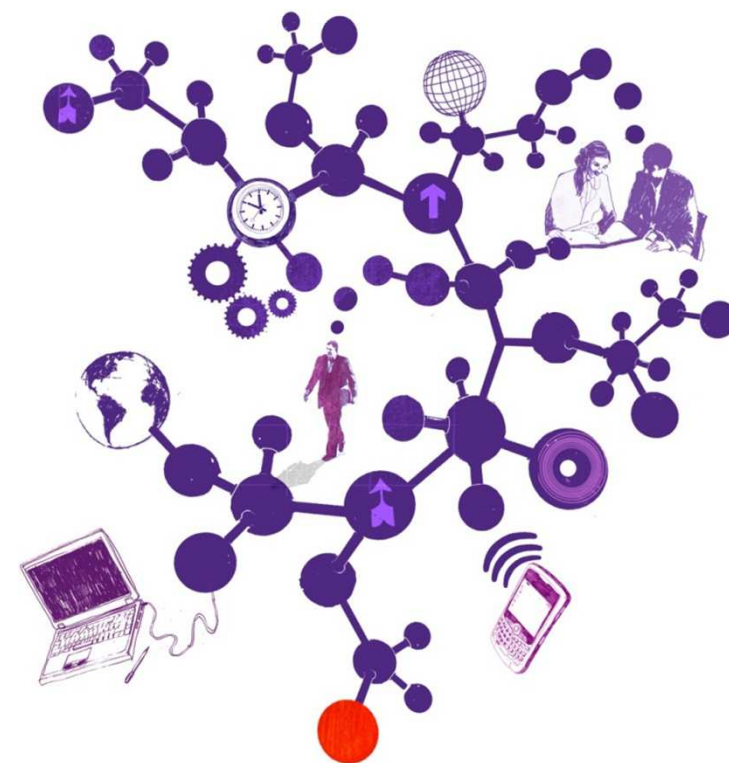
Year ended 31 March 2013

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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.

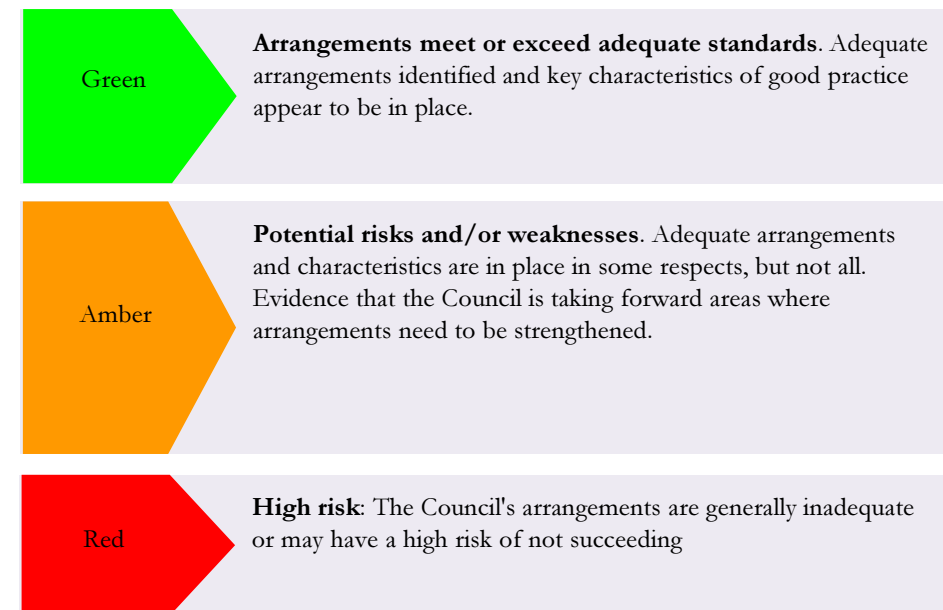
The definition of foreseeable future for the purposes of this financial resilience review is 12 months from the date of this report.

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.

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.



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 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. 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





Burnley borough is situated in the eastern part of Lancashire adjoining other former textile areas in Lancashire and Yorkshire. The town of Burnley is one of the main urban centres in Lancashire along with Blackpool, Blackburn and Preston. The Borough covers 43 square miles, and has a population of around 87,000.

Burnley is the retail business and service centre for Pennine Lancashire in the east of the county and lies 21 miles north of Manchester and 25 miles east of Preston. Despite having a significant urban centre, over 80% of Burnley borough is rural.

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 Burnley is 11.

Executive Summary

Overview of Arrangements

Risk area	Summary observations	High level risk assessment
Key Indicators of Performance	<ul style="list-style-type: none"> 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 £899k. 	 Green
Strategic Financial Planning	<ul style="list-style-type: none"> The Council achieved its planned £814k 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	<ul style="list-style-type: none"> There is an appropriate level of senior management and member level engagement in the financial management process. The Council has four cycles of budget monitoring during the year where progress against both the capital and revenue budgets are reported to the Executive and to the Resources Scrutiny Committee. The three year capital programme, revenue budget and Medium Term Financial Plan are presented to the Executive at the same time. This means members can see how the three documents link together to form the Council's financial plans going forward. 	 Green
Financial Control	<ul style="list-style-type: none"> Well established budget setting processes are in place at the Council that encourage ownership from budget holders. The Council has a good track record in managing budgets and achieves its budgets each year. Systems and procedures for producing reliable financial monitoring and forecasting information are in place at the Council. 	 Green

Executive Summary

Next Steps

Area of review	Key points for consideration	Responsibility	Timescale	Management response
Key Indicators of Performance	The Council's level of reserves is above the minimum level set by the S151 officers. In the light of the financial outlook for the medium term and the Council should ensure the level of reserves it holds is appropriate going forward.			
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	There is an appropriate level of senior management and member level engagement in the financial management process. This is especially important given the decisions members will need to take to address the current forecast funding gaps for 2014-15 and 2015-16.			
Financial Control	The Medium Term Financial Plan shows that there are potential gaps in funding for 2014-15 and 2015-16 and considerable savings will need to be identified in order to set a balanced budget.			

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Appendix - Key indicators of financial performance

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 nearest neighbours benchmarking group comprising the following authorities:

Wellingborough Borough Council
Pendle Borough Council
Erewash Borough Council
Mansfield District Council
Hyndburn Borough Council
Rossendale Borough Council
Tamworth Borough Council
Cannock Chase District Council
Nuneaton and Bedworth Borough Council
Gravesham Borough Council
Barrow-in-Furness Borough Council
Gloucester City Council
Kettering Borough Council
Ashfield District Council
Redditch Borough Council




Key Indicators

Overview of performance

Area of focus	Summary observations	Assessment
Liquidity	<ul style="list-style-type: none">• The Council's working capital ratio has increased from 1.13 from 2007-08 to 1.22 in 2011-12. The ratio decreased in 2008-09 and 2009-10 before increasing in both 2010-11 and 2011-12. 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 of 1.22 in 2011-12 is relatively low when compared to its nearest neighbours who have an average of 3.01. This demonstrates a prudent approach to working capital by the Council.• There is a mixed picture in terms of the movement in working capital ratios across the nearest neighbours. 7 out of the 16 councils have increased their working capital from 2007-08 to 2011-12 whilst 9 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 8% (2007-08 ratio of 1.13 to 2011-12 ratio of 1.22) which is positive.• The Council's collection rate for council tax was 97.03% in 2012-13, which is in line with 2011-12 and reflects a slight increase in collection rates over the last five years.• The Council's collection rate for NNDR was 98.28% in 2012-13., this is down slightly from 98.57% in 2011-12 and reflects a slight downward trend over the last five years.	 Green
Borrowing	<ul style="list-style-type: none">• The Council's long term borrowing (as a percentage of tax revenue) is 1.2.• This long term borrowing to tax ratio has decreased from 1.33 in 2007-08 to 1.2 in 2011-12. The trend across the benchmarked group is an increase of this ratio.• The Council's long term borrowing to assets ratio is 0.19.• This has decreased from 0.36 in 2007-08 to 0.19 in 2011-12. The trend across the benchmarked group is an increase in this ratio. 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	<ul style="list-style-type: none">The Council's sickness absence rate reduced from 7.66 days per FTE in 2010-11 to 5.76 days per FTE in 2011-12. This reflects a continuing downward trend since 2007-08 when it was 10.8. However, the latest figures for 12-13 show an increase to 7.32.The Council's recent 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	<ul style="list-style-type: none">The Council has a good track record of meeting its budget and achieving savings.In 2012-13 the Council achieved an overall under-spend of £899k.This underspend was spread across a number of service areas.The revised capital budget was underspent by around £381k in 2012-13. This partly related to slippage in planned projects for 2012-13..	 Green
Reserve Balances	<ul style="list-style-type: none">The Council's useable reserves as a share of expenditure ratio was 0.12. This is slightly below the average ratio of the benchmarked group of 0.17.Between 2008-09 and 2011-12 the Council increased the value of its useable reserves as a share of expenditure from 0.06 to 0.12. This is in line with the majority of the comparator group with most authorities increasing their reserves (as a share of expenditure).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 £7.411m reserves, with £1.4m representing the general fund balance. This is above the S151 officer's recommended minimum level of £1.1m.	 Green

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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

Area of focus	Summary observations	Assessment
Focus of the MTFP	<ul style="list-style-type: none">• The Council's revenue budget was set in February 2013, along with an updated three year medium term financial plan (MTFP) covering the period to 2015-16.• The Council assesses the relative priorities of the services it provides and uses this information to produce a budget and identify savings required to meet that budget. As a result of the funding pressures councils face, part of the budget process focuses on efficiency savings and value for money savings within each service area and in key corporate areas.• The Council started its budget setting process for 2013-14 in late 2012 where an initial budget was proposed which identified the need to find savings of around £2.002m to set a balanced budget. At that time £1.778m of these savings had already been identified leaving a gap of £224k to identify. After the local government settlement was announced in December 2012, the budget for 2013-14 was revisited in light of this and the required savings of £375k (including the £224k) were identified.• The MTFP gives a high level overview of funding changes likely to impact on the financial strategy going forward and includes some illustrative scenarios to identify potential funding gaps for 2014-15 and 2015-16.• Risk assessments are undertaken to support both the budget process and the MTFP to identify potential financial risks and determine action required to mitigate those risks.• In February 2013 the Council's capital budget was set for 2013-14 and a medium term capital program up to 2017-18 approved. Directors, Heads of Service and senior officers were asked to review existing schemes in the capital programme and submit detailed bids for any new proposed schemes. The Council has a system to rank capital scheme bids submitted and determine which schemes are going to proceed.	 Green



Strategic Financial Planning

Medium Term Financial Strategy

Area of focus	Summary observations	Assessment
Adequacy of planning assumptions	<ul style="list-style-type: none"> The Council has set out expected expenditure and revenue for 2013-14 in the 2013-14 revenue budget document. This revisits assumptions previously and updates them. The MTFP sets out the assumptions used in determining the financial strategy for 2014-15 and 2015-16. These assumptions have been revisited as part of the updating of the MTFP and underpin the scenario planning for the potential future funding gap. In common with a number of authorities, there remains significant uncertainties for the medium to long term. Possible funding gaps estimated for 2015-16 range from £3.7m to £4.2m. Detailed work is underway to identify a range of savings plans to address this gap. A briefing was given to both members and staff at the time of the approval of the budget and MTFP. However the MTFP does not set out anticipated budget requirements or funding available in full for 2014-15 and 2015-16, making it difficult for the public to assess the level of the potential funding gaps compared to the Council's spending overall. The MTFP for 2012-13 set out that the Council should hold a minimum level of general fund reserves of £1.1m. As at 31 March 2013 the general fund reserve balance was £1.4m which is a prudent position. The level at the year end was approved by the Director of Resources. The MTFP for 2013-14 onwards confirms general fund reserves as £1.4m. Earmarked reserves are estimated to decrease from £6m at 31 March 2013 to £3.9m as 31 March 2015. 	 Amber
Scope of the MTFP and links to annual planning	<ul style="list-style-type: none"> There are clear processes in place to ensure the MTFP reflects information from other areas of the Council. Individual service plans and key strategies underpin the MTFP so that the MTFP links back to the achievement of the Council's key objectives. Resources required to fulfil the service plan objectives are fed into the budget and MTFP processes to ensure commitments are identified and accounted for in the financial strategy of Council 	 Green

Strategic Financial Planning

Medium Term Financial Strategy

Area of focus	Summary observations	Assessment
Review processes	<ul style="list-style-type: none">Once budgets are approved they are delegated to Heads of Service to monitor and it is their responsibility to ensure budgets are delivered for their area.The MTFP is reviewed and updated as any changes to underlying assumptions or to the business environment are identified and confirmed.	 Green
Responsiveness of the Plan	<ul style="list-style-type: none">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 potential funding gap in 2014-15 and 2015-16. Previous action taken by the Council has achieved the required 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

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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
Understanding the Financial Environment	<ul style="list-style-type: none">• The Council has four cycles of budget monitoring during the year where progress against both the capital and revenue budgets are reported to the Executive and to the Resources Scrutiny Committee.• The budget is approved by the Full Council. At this meeting the revenue and capital budgets are presented for approval together with the Council's Treasury Management Strategy, MTFP and three year Strategic Plan which combine to give members a good overall view of council finances and objectives.• Where there are specific financial issues or changes, such as Council Tax Support, separate reports are made to members to outline the background to and implications of these matters.• Financial Regulations are reviewed on an annual basis. The Financial Regulations set out responsibilities of officers and members and financial management responsibilities of Heads of Service.• Staff conferences are held to give staff an update on the budget and the challenges faced. Staff are encouraged to engage in this process via break out sessions and discussions.	 Green
Executive and Member Engagement	<ul style="list-style-type: none">• 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 Resources Scrutiny Committee are appropriately engaged and challenging.• The Audit Committee provides 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 page. Budget and performance reports are clearly sign posted on the website.	 Green

Financial Governance

Understanding and engagement

Area of focus	Summary observations	Assessment
Overview for controls over key cost categories	<ul style="list-style-type: none">The Council is relatively high spending when compared to its nearest statistical neighbours. This is partly due to the high level of deprivation within the Borough. The Council has a number of regeneration projects currently underway to support economic development as a way to tackle deprivation in the area.	 Green
Budget reporting: revenue and capital	<ul style="list-style-type: none">The budget each year is first presented to the Executive for review, challenge and approval. The budget is then presented to Full Council for further consideration and approval. This process provides adequate opportunity for members to engage with and understand the budget for the coming year.The budget report to the Executive sets out the proposed budget for the year together with explanations for any changes in assumptions since the provisional assessment of the budget requirement. The report outlines savings identified in order to set a balanced budget, together with 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 the Executive 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 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 the Resources Scrutiny 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	<ul style="list-style-type: none">The Resources Scrutiny Committee receives a wide range of financial information in order to give a rounded view of Council finances including Treasury Management reports, capital project reports, performance reports etc.	 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
Budget setting and monitoring - revenue and capital	<ul style="list-style-type: none">• 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.• Budget planning starts early in the year before by completing an initial review of assumptions and assessment of the 'budget gap'. Management teams meet with Heads of Service to consider this and identify initial savings targets and other measures. heads of Service identify savings options and Community Impact Assessments are undertaken. The budget for each service is reviewed by management team to make final decisions on savings proposals before approval by Council.• The monitoring process recognises the accountabilities of Heads of Services for the delivery of financial targets in their areas.	 Green
Performance against Savings Plans	<ul style="list-style-type: none">• In order to set a balanced budget for 12-13 the Council identified £814k of planned savings for 2012-13.• Progress against the savings target was monitored throughout the year. The planned level of savings were achieved.• Work to identify budget requirements and savings starts early in the preceding cycle, with initial proposals for 13/14 identified in November 2012. These are updated on an on-going basis as information emerges or is confirmed and are reviewed again prior to the budget approval process• 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 there are potential gaps in funding for 2014-15 and 2015-16 and considerable savings will need to be identified in order to set a balanced budget.	 Green


Financial Control

Internal and external assurances

Area of focus	Summary observations	Assessment
Key Financial Accounting Systems	<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• The Finance Department is resourced at an appropriate level for a council of this size.• The Director of Resources and Head of Finance 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	<ul style="list-style-type: none">• The Council has good arrangements in place.• Internal audit work is provided in house by a small team of dedicated audit staff.• Internal audit delivered their full programme of work in 2012-13.• Internal audit receive good feedback from managers in the service areas they audit.	 Green
External audit arrangements	<ul style="list-style-type: none">• The key messages from the most recent Annual Audit Letter noted:<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• The Council has good risk management arrangements in place.• There is strategic risk register which records the principal risks facing the Council. This is reviewed and updated every six months. Risks are linked to strategic objectives.• Risks on the register are allocated to a named lead at a senior level. The register has the relevant actions listed which help to mitigate the risks. The use of RAG ratings (Red, Amber, Green, based on scores) helps ensure risks are appropriately managed.• The risk register is reviewed by the Audit Committee every six months. An accompanying report sets out any key changes to enable members to focus on key areas. Any issues arising are then highlighted to full Council via the Audit Committee minutes or via briefings where necessary.	 Green

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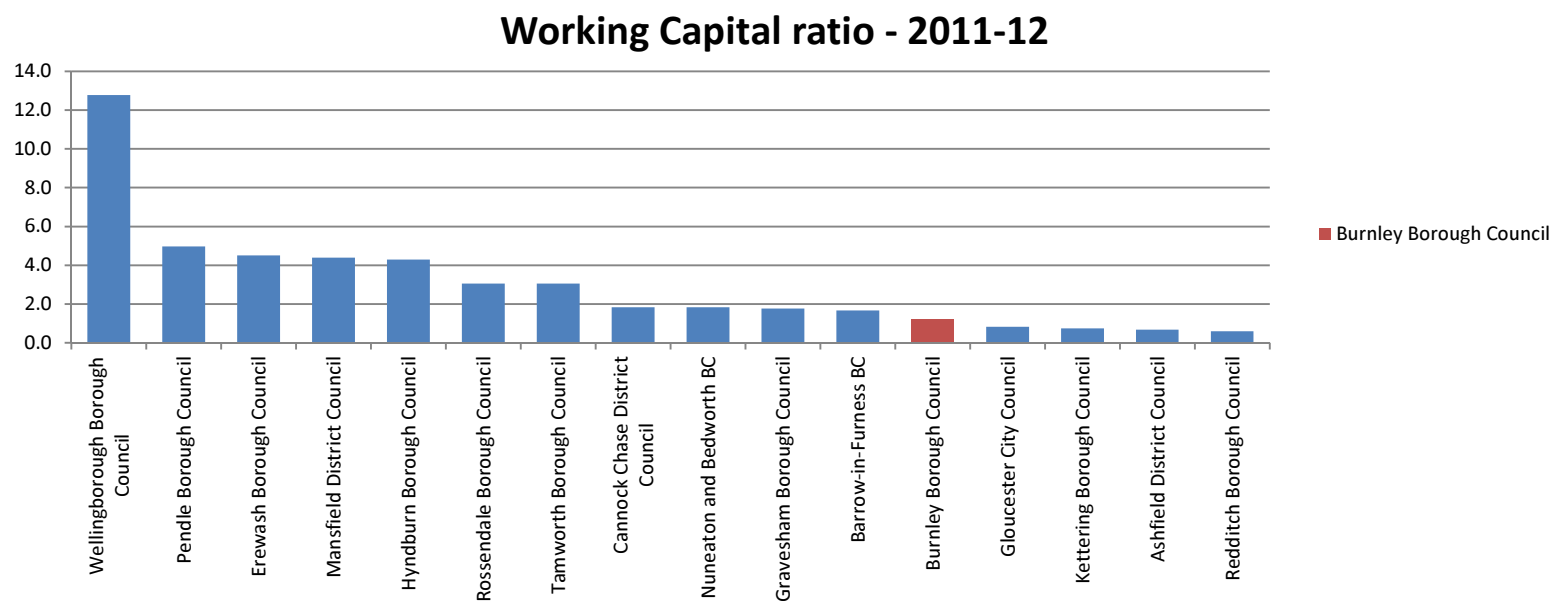
Appendix - Key indicators of financial performance

Key Indicators of Financial Performance

Working Capital Ratio - 2011/2012

Definition The working capital ratio indicates if 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 has a fairly low working capital ratio when compared to its nearest neighbours, its ratio in 2011-12 being 1.22 compared to an average of 3.01. This demonstrates that the Council has sufficient assets or resources to cover its immediate liabilities.

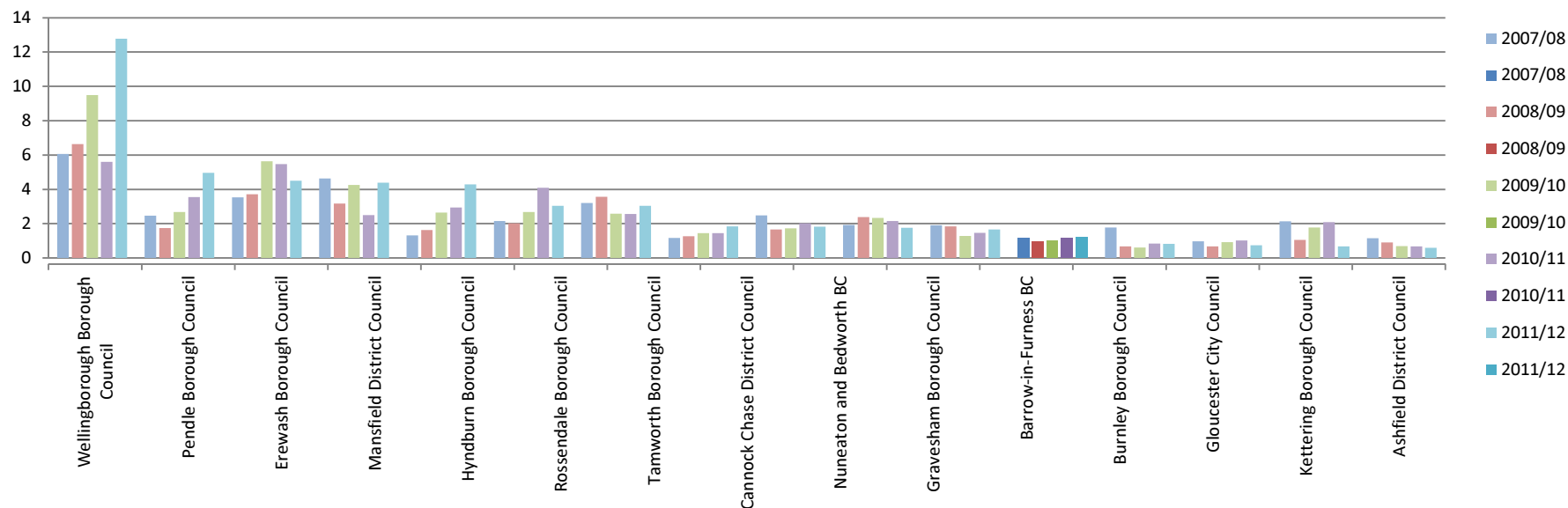


Key Indicators of Financial Performance

Working Capital Ratio – Trend

Findings There is a mixed picture in terms of the movement in working capital ratios across the nearest neighbours. 7 out of the 16 councils have increased their working capital from 2007-08 to 2011-12 whilst 9 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 8% (2007-08 ratio of 1.13 to 2011-12 ratio of 1.22).

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

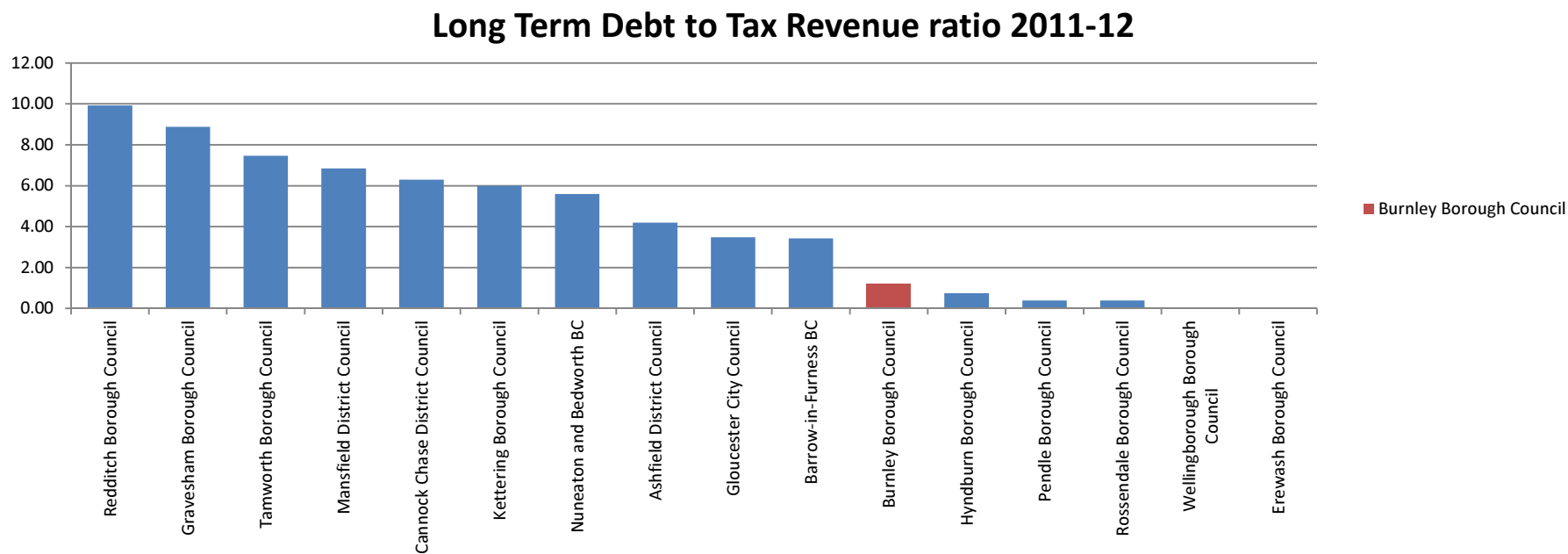


Key Indicators of Financial Performance

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 spending power (council tax, redistributed non domestic rates and revenue support grant).

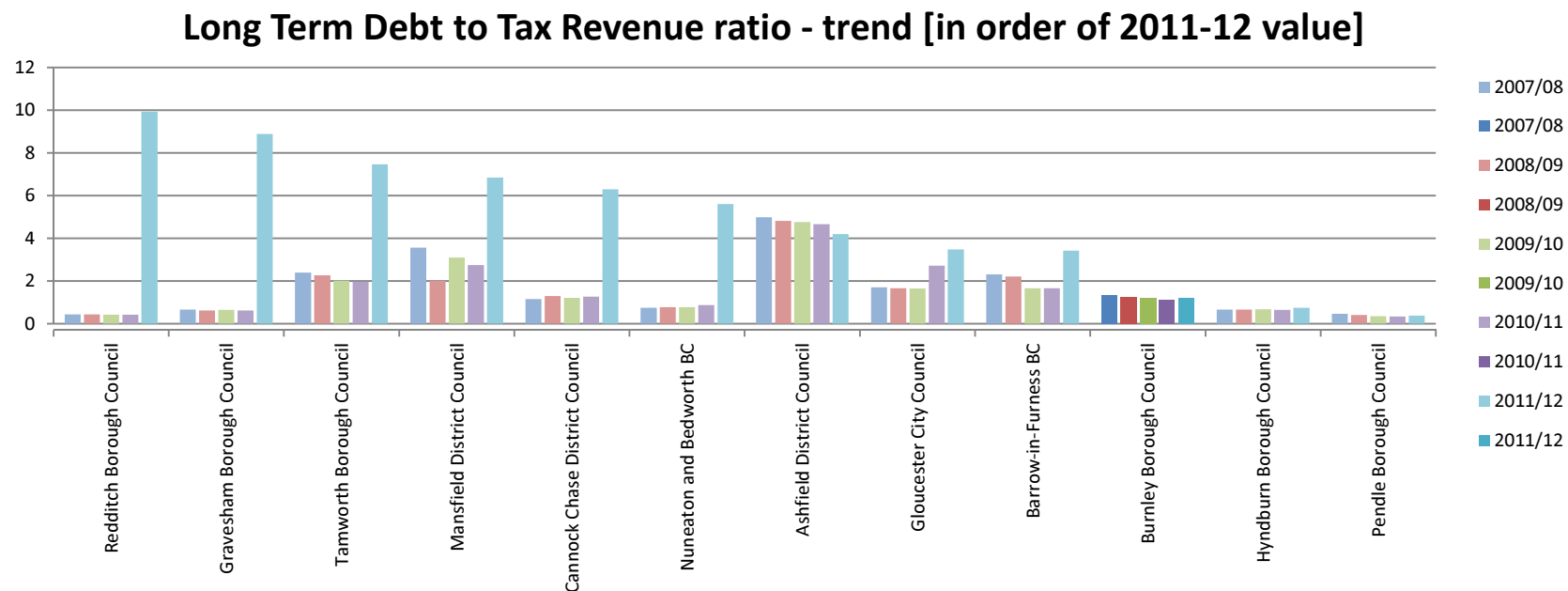
Findings The Council's long term borrowing (as a percentage of tax revenue) is 1.2 which is at the lower end of the comparator group.



Key Indicators of Financial Performance

Long Term Debt to Tax – Trend

Findings The Council's long term borrowing to assets ratio has decreased from 1.33 in 2007-08 to 1.2 in 2011-12. This downward trend is different from the majority of the benchmarked group who have increased their ratios over this period.

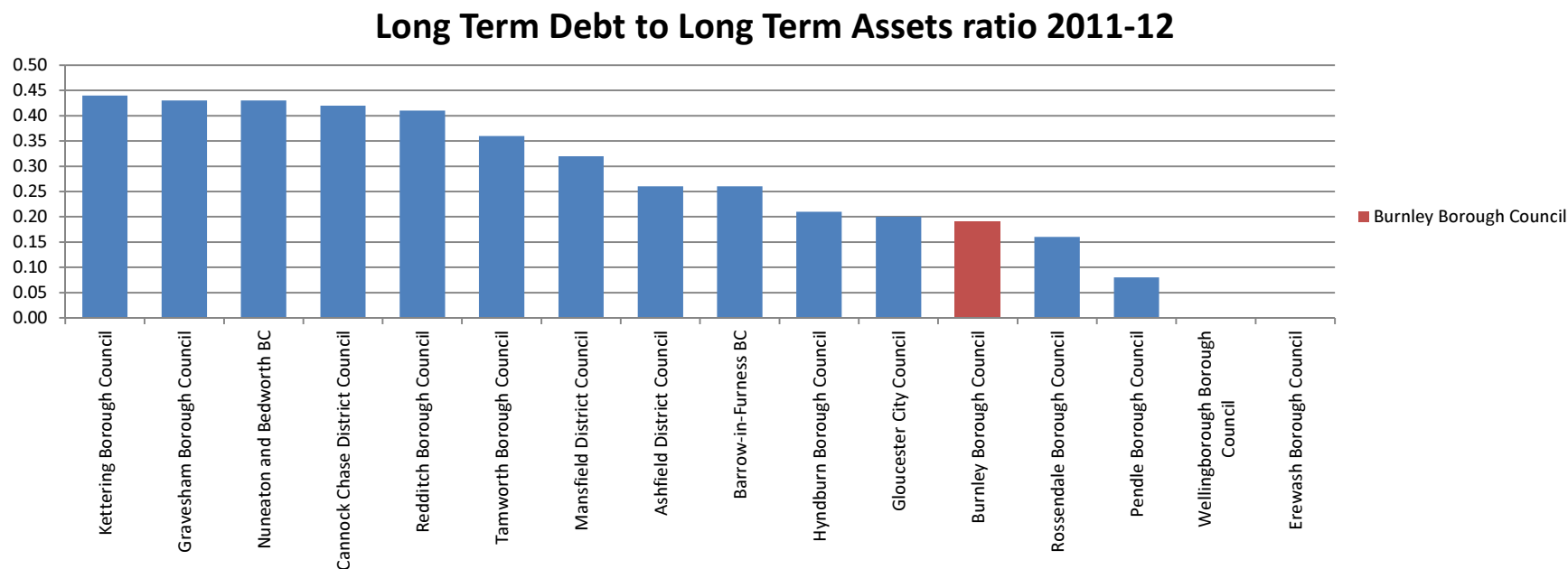


Key Indicators of Financial Performance

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.

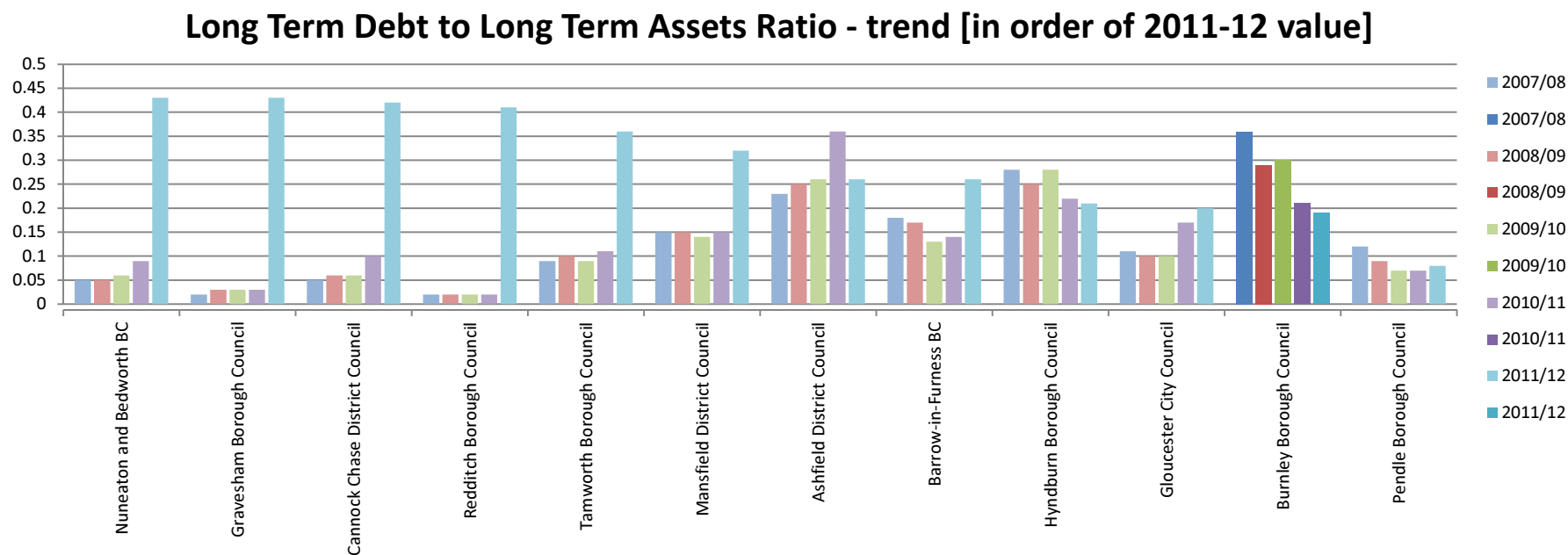
Findings The Council's long term borrowing to assets ratio is 0.19.



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 0.36 in 2007-08 to 0.19 in 2011-12. The trend across the benchmarked group is an increase of this ratio.



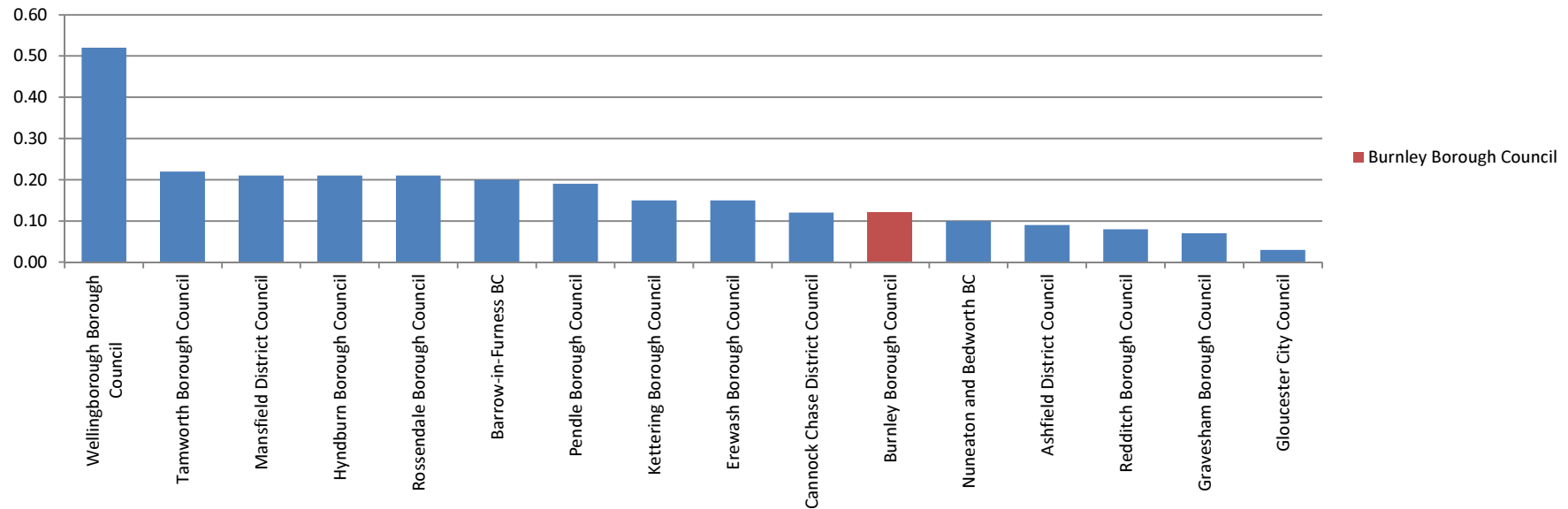
Key Indicators of Financial Performance

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 0.12. This is slightly below the average ratio of the benchmarked group (0.17)

Usable Reserves to Gross Revenue Expenditure ratio 2011-12



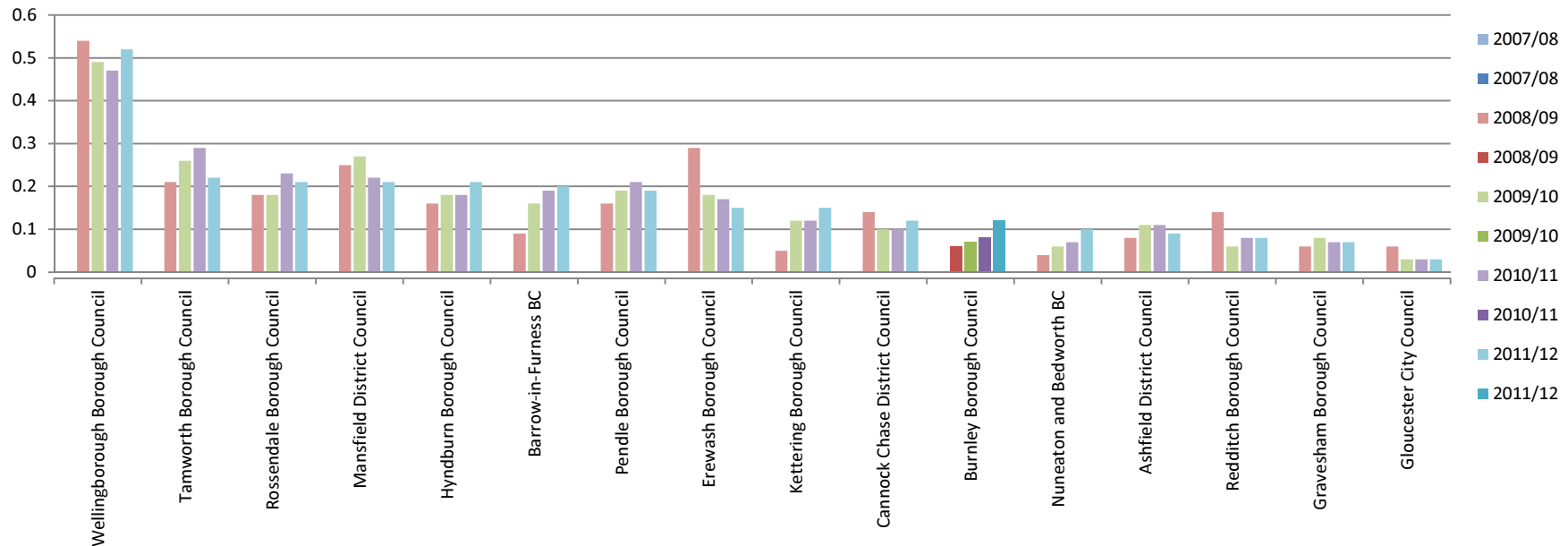
Key Indicators of Financial Performance

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 0.06 to 0.12. This is in line with the majority of the comparator group with most authorities increasing their reserves (as a share of expenditure).

- 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 £7.411m reserves, with £1.4m representing the general fund balance. This is above the S151 officer's recommended minimum level of £1.1m.

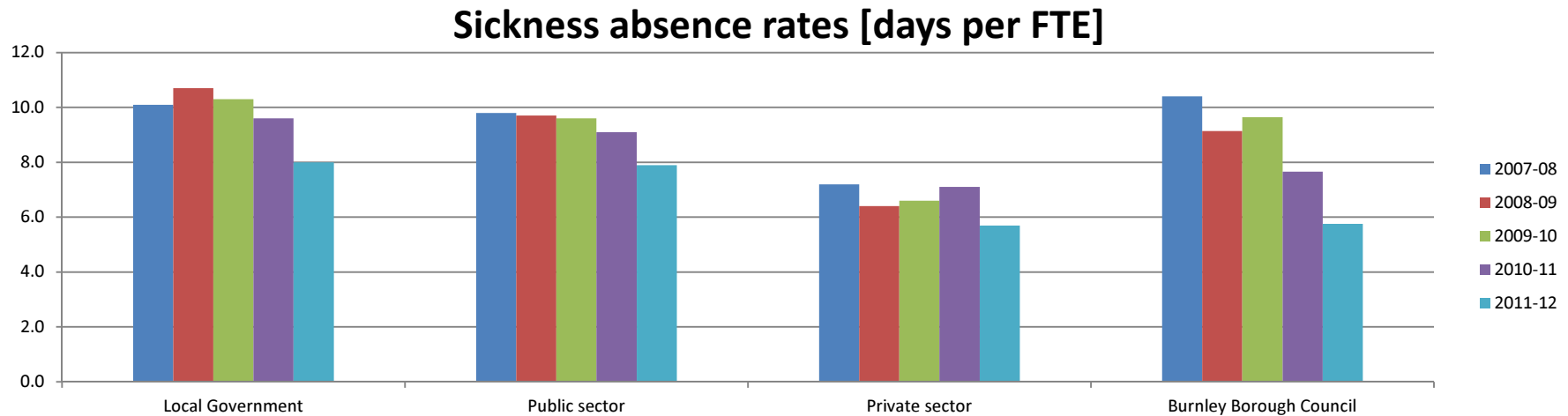
Usable Reserves to Gross Revenue Expenditure ratio - trend [in order of 2011-12]



Key Indicators of Financial Performance

Sickness absence

Finding The Council's sickness absence rate reduced from 7.66 days per FTE in 2010-11 to 5.76 days per FTE in 2011-12 after having in general decreased in previous years from 10.4 in 2007-08, although the latest figures for 12-13 show an increase to 7.32. The Council's recent sickness absence figures compare well against figures for the public sector (7.9 in 2011-12) and local government generally (8 in 2011-12).





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