

Oldham Metropolitan Borough Council

Review of the Council's Arrangements for Securing Financial Resilience

Year ended 31 March 2013

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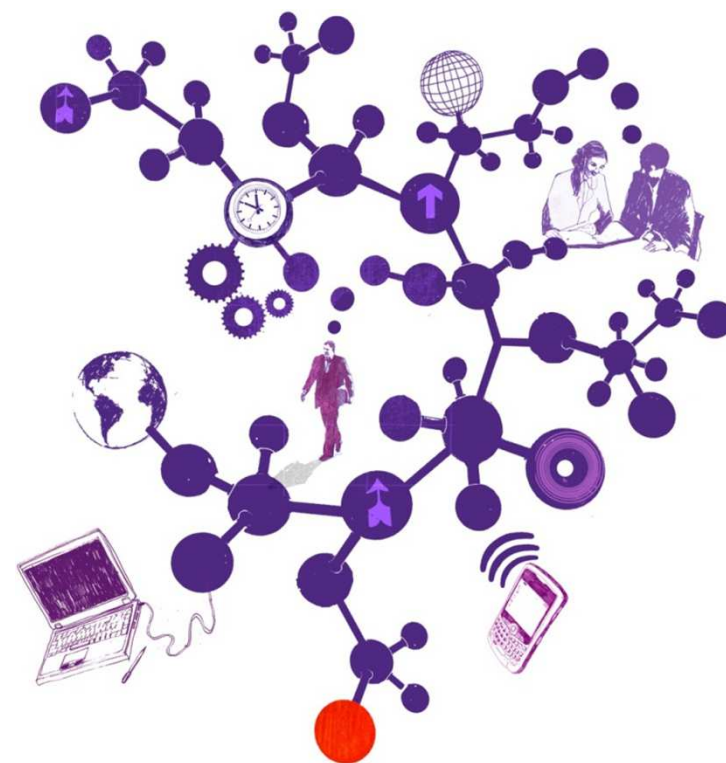
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to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

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

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

Executive Summary

National and Local Context

National Context

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

This followed a period of sustained growth in local government spending, which increased by 45% during the period 1997 to 2007. The 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.

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.

The next spending review period will be for a single financial year, 2015-16. The timing of the announcement is yet to be confirmed, but is anticipated during the first half of 2013.

Financial austerity is expected to continue until at least 2017.

Local Context

Oldham Council is one of the 10 Local Authorities in the Greater Manchester Region. It covers an area of 55 square miles stretching from the urban areas on the outskirts of Manchester to the rural areas in the foothills of the Pennines and the Peak District National Park.

Oldham has a population of 225,200, where some 22.4% are aged under 15 and 14.7% over 65, representing a relatively youthful demography. Oldham is also more ethnically diverse than many local authorities.

Oldham also faces some significant challenges. More than one in five Oldham residents live in income deprived households and five of Oldham's twenty wards are among the 5% most income deprived wards in England.

The Borough's strong industrial heritage has severely declined and regeneration is now a key priority for the Council. Regeneration is considered essential in order to offer improvement in employment opportunities and physical redevelopment of the town.

At October 2012, the unemployment rate, based on Job Seekers Allowance (JSA) claimants was 5.8% - significantly higher than the national average of 3.8%.



The Council spends above average per head of population (2011/12 information), with a net spend of £2,097.04 per head compared with an average of £1,979.79.

Following the Comprehensive Spending Review (CSR) and the Chancellor's Autumn Statement 2011, the Council was required to identify savings to meet an initial budget gap of £24.5 m for 2012/13. Further savings required in following years were identified as £17.8 m in 2013/14, £12.98m in 2014/15, and £15 m in 2015/16 and again in 2016/17.

Following the Local Government Financial Settlement received in December 2012, the 2014/15 savings figure has needed to be increased by a further £7.53m



Executive Summary

Overview of Arrangements

Risk area	Summary observations	High level risk assessment
Key Indicators of Performance	<p>Review against key performance indicators show that the Council is in a strong position. Our review of indicators of liquidity, performance against budget, reserves balances and schools balances all rated the Council as green.</p> <p>Our review of long term borrowing (which includes PFI and finance lease liabilities) rated the Council as amber. Whilst the indicators of long term borrowing against fixed assets and council tax revenue result in a relative high indicator, this does not recognise the impact of Academy transfers and receipt of PFI Credits.</p> <p>The receipt of PFI credits means that the servicing of long term debt is currently sustainable but the guarantee of payment of future PFI credits from the sponsoring Government Departments will need to be monitored carefully to ensure that they remain secure.</p>	 Green
Strategic Financial Planning	<p>The Council has agreed a budget plan for 2013/14 and 2014/15 and incorporated the revisions arising from the latest local government settlement. The revised plan identified a requirement for £38.2m of savings over the two year period.</p> <p>The two year plan underpins the early years of the MTFs 2013/14 to 2016/17, which expects further required savings of £15m a year from 2015/16 onwards, subject to the outcome of the CSR.</p> <p>In developing its budget plans the Council considers and employs a range of initiatives, including customer-led service redesign, alternative methods of provision (Adult Social Care) and regional working across Greater Manchester.</p> <p>The Council has reviewed its service provision and business planning process and is well-placed to be able to respond to potential financial constraints to enable it to deliver effective services with reduced revenue funding. The business planning and budget setting process is embedded throughout the Council, with good member involvement.</p>	 Green

Executive Summary

Overview of Arrangements

Risk area	Summary observations	High level risk assessment
Financial Governance	<p>The Council has effective governance arrangements in place. Through the business planning and budget setting process, the Council's financial environment and financial performance is understood at all levels of the organisation. Members are actively engaged in the process.</p> <p>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>	 Green
Financial Control	<p>The Council has good financial controls overall, and an effective assurance framework.</p> <p>The Council's Financial Management Transformation Project has been operating for three years and has contributed to the significant advances in timeliness and quality of the financial closedown and accounts production process.</p> <p>The Council was the first local government body to produce its 2011/12 accounts and publish its audited financial statements on 25 June 2012.</p> <p>Finance staff are experienced and appropriately qualified and demonstrate commitment to delivering best financial practice.</p> <p>The Council uses its financial systems effectively for financial reporting throughout the year, and now produces monthly reports of its main financial statements, alongside its monthly Revenue and Capital monitoring reports. The Council has an effective internal audit service, which makes a positive contribution in ensuring that sound financial systems are in place to deliver its ambitious closedown timetable.</p>	 Green

Executive Summary

Next Steps

Area of review	Key points for consideration	Responsibility	Timescale	Management response
Key Indicators of Performance	<p>As the economic landscape continues to be uncertain, it will become even more critical to ensure that the Council has appropriate levels of reserves and that it closely monitors its liquidity to underpin its financial resilience. An increasing proportion of the Council's income is now received in the form of PFI credits, provided by sponsoring Government Departments to finance the Council's PFI liability borrowing. The Council will need to ensure that the PFI credit conditions of the various schemes continue to be met, particularly those relating to Academy Schools no longer under the Council's control.</p>	Borough Treasurer	ongoing	<p>As part of its financial transformation programme the Council has brought a very rigorous focus on its financial sustainability. This has included a developed financial reporting system to include a full suite of financial statements every month to ensure there is a review of all aspects of its finances. This has been complimented by very strong attention being paid to maximising all aspects of financial management which improve the Council's liquidity – there is a continuous drive to reduce the level of debtor arrears which has seen a reduction from £77m to £26m in the last three years and the level of reserves is determined on a detailed risk basis and reported to Council and the Audit Committee.</p> <p>The Council has extensive financial management expertise in the area of PFI and applies a great deal of financial and service rigour and expertise in managing its PFI contracts in a very pro active manner. This includes regular liaison where needed with HMG and detailed review of the financial models, payment mechanisms and contracts which underpin the receipt of PFI credits</p> <p>For the future the level of focus on liquidity will continue and further improve as will the financial management of all major contracts, PFI and other, under a developing programme of financial contract review</p>

Executive Summary

Next Steps

Area of review	Key points for consideration	Responsibility	Timescale	Management response
Strategic Financial Planning	The Council should ensure that the MTFS reflects the significant challenges being faced and remains responsive to the uncertainties in the economy by continuing to deliver against its savings targets.	Borough Treasurer	ongoing	The MTFS is subject to continuous review with the latest iteration planned to be in line with receipt of the CSR on the 26 June. The MTFS is underpinned by full engagement with services to ensure both financial and service knowledge and understanding are fed into the process, the budget is very tightly managed from inception to subsequent closure of the accounts and has a suitably high profile at all levels within the organisation.
Financial Governance	As the need for robust governance in local government increases, the Council needs to ensure that it continues to provide support to members and officers responsible for managing budgets. The ongoing success of the financial management transformation project and the development of the Council's "Business Units" will be key to this.	Borough Treasurer	ongoing	<p>A full programme of financial training has been developed for Members along with a planned programme of training and development for all finance staff and active support is given to developing finance staff, including trainee accountants. The Business Units programme has seen the promotion of greater service and budget ownership and has been supported by extensive financial and other training across the Council ensuring that service managers are supported to develop their financial management expertise. This will be supplemented in the coming years by the Council's Corporate Service Redesign programme which will include a wide range of training for front line managers in financial, and other, management .</p> <p>A key next stage in the financial transformation programme is the development of an integrated financial, HR and payroll system including taking the financial system to the leading edge release and the complete replacement of the HR/payroll system which will underpin self service within services as well as supporting the continued transformation of financial services. The intention is to achieve a proven target of extensive world class quality and efficiency by 2015.</p>

Executive Summary

Next Steps

Area of review	Key points for consideration	Responsibility	Timescale	Management response
Financial Control	The Council should continue to ensure that its savings plans are clearly communicated, link to specific policy decisions, and that the impact on service provision is clearly identified and articulated.	Borough Treasurer	ongoing	As part of the budget process all financial savings are very clearly set out in full reports to Scrutiny, Cabinet and Council with full EIAs completed. Extensive communication and consultation are undertaken with full liaison with the Council's communication service and the Council's budget planning process is very closely driven by the Repositioning Oldham agenda and Co-operative Council ethos. The approach to the budget has been and will continue to be approached thematically, avoiding silo working and focusing on new ways of working, alternative service delivery models, families and vulnerable people and neighbourhoods. This will ensure that the Council has the best opportunity for generating sustainable, cashable savings of a very significant nature while at the same time transforming the Council's service provision to positively address the challenges facing the Council and the Borough.

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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
- Schools Reserves - Balances to DSG allocations

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

- Blackburn with Darwen Borough Council
- Bolton Metropolitan Borough Council
- Borough of Telford and Wrekin
- Bury Metropolitan Borough Council
- Coventry City Council
- Halton Borough Council
- Medway Council
- Rochdale Metropolitan Borough Council
- Rotherham Metropolitan Borough Council
- Sandwell Metropolitan Borough Council
- St Helens Metropolitan Borough Council
- Stockton-on-Tees Borough Council
- Tameside Metropolitan Borough Council
- Walsall Metropolitan Borough Council
- Wigan Council




Key Indicators

Overview of performance

Area of focus	Summary observations	Assessment
Liquidity	<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 1.27 at 31 March 2013 (1.14 at 31 March 2012). Comparative information on liquidity from the Council's statistical nearest neighbours (up to 2011/12) shows performance within the 'norm'. The Council has however achieved better than the 'ideal' ratio of 1.1.</p> <p>Council Tax and NNDR collection rates continue to be a challenge, however the Council is taking appropriate action on this and has good arrangements in place to maximise collection, enhanced further in view of the implementation of Council's Local Scheme for Council Tax from 1 April 2013.</p>	 Green
Borrowing	<p>The Council's borrowing at 31 March 2013 was £150.7m with £2m of this being due within 12 months. However, when recognising PFI and Finance Lease Liabilities this indebtedness increases to £382.5m with £4.6m due within 12 months. Whilst overall borrowing has increased significantly recently due to investment in PFI schemes for social housing and schools this remains well below the authorised external debt figure of £519m.</p> <p>£36m of Council debt relates to the PFI liability for school buildings now transferred to an Academy. The Council will need to ensure that its PFI commitments in relation to the school are matched by relevant PFI credits and/or contributions from the school for the 25 year period of the scheme.</p> <p>In 2012/13 the Council received £18.8 m of PFI credits from relevant sponsoring Government Departments in order to finance PFI liabilities. This is now a significant income stream and the Council will need to ensure it continues to meet all the relevant conditions and is able to remain confident that such Government Department commitments are guaranteed for the foreseeable future.</p>	 Amber
Workforce	<p>The Council has continued to reduce its sickness absence levels which in previous years were significantly higher than average for the public sector. In 2011/12 for Oldham Council the average working days lost to sickness absence was 8.51 per full time equivalent member of staff. This was lower than the average across Greater Manchester (8.75 days) but remained higher than the average across the public sector (8.00 days). The latest information for Oldham for 2012/13 shows a reduction to 8.15. The Council has plans in place to continue to improve this performance, which is periodically monitored and reviewed by the Overview and Scrutiny Committee - Performance & VFM.</p>	 Green

Key Indicators

Overview of performance

Area of focus	Summary observations	Assessment
Performance Against Budgets: revenue & capital	<p>The Council has a good track record in achieving the revenue budget and managing financial performance. In 2011-12, the Council, after contributions to balances and reserves, achieved an underspend against the final budget of £29k and in 2012-13 an underspend of £179k against a budget of £265m.</p> <p>The Council set an ambitious capital programme for 2012/13 of £115.3m. However, slippage on a number of schemes has resulted in actual capital expenditure of £80.6m with the Council re-profiling the expenditure slippage and its associated financing into 2013/14. There are no significant issues identified with costs of individual schemes at this stage.</p>	 Green
Reserve Balances	<p>Total Usable Reserves at 31 March 2013 were £109.8m - a slight increase of £0.24m over the previous year. Within these, the General Fund Reserve balance increased by £2.5m to £15.8m, Earmarked General Fund Reserves increased by £4m to £55.4m, whilst Capital Grant unapplied reduced by £17m to £13.8m. The ring-fenced Housing Revenue Reserve increased by £9m to £19.3m, a significant amount of which is attributed to making 'unavailability deductions' from payments to a PFI service provider.</p> <p>The Council is mindful of the fact that it may need to increase reserves further in future years.</p> <p>When compared to the Audit Commission nearest neighbour benchmark group, the Council was average in terms of balances held compared to gross revenue expenditure at the 2011-12 year end. The comparative data is not yet available for 2012-13.</p>	 Green
Schools Balances	<p>The Audit Commission accepts that there will be some unspent Direct Schools Grant at each year end which will be transferred to reserves but expects councils to ensure that the funding is spent on the current cohort wherever possible. The latest available data published by the Audit Commission, for 2011-12, shows that the Council has comparable reserves to its statistical nearest neighbour benchmark group in relation to year end balances held. The School Reserves level at 31 March 2013 has reduced from £11.6m to £8.9m but this remains at an acceptable level and provides evidence that funds are being spent on the education of the current cohort of pupils and not held in reserves for significant future projects. The Council confirms that no schools are in a deficit position.</p>	 Green

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Appendix - Key indicators of financial performance

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	<p>The Council has a Medium Term Financial Strategy for the period 2013/14 to 2016/17. This was approved by Council in February 2012 but has already been revised with a further £7.5m savings identified in April 2013 in response to the most recent Local Government Settlement.. All revised savings have been accommodated within the financial plan for 2014/15. A key component of the MTFS is the projection of balances going forward and balances of £16m should be retained to meet future pressures.</p>	 Green
Adequacy of planning assumptions	<p>The Council has a good track record of achieving its budget and its cost savings requirements. For 2014-17, the Council is working on assumptions and planning to achieve additional savings of £50.5m over the 3 year period. The Council's focus remains on a MTFS which is regularly revisited in terms of assumptions as new information becomes available to mitigate against uncertainties in the level of future funding to be received from Government and impact on savings required. The Council's previous predictions on Local Government Settlements have been reasonably accurate.</p>	 Green
Scope of the MTFP and links to annual planning	<p>The Council has produced a detailed two year plan for 24 months covering 2013/14 and 2014/15 to underpin the MTFS and deliver financial stability and investment opportunities. The proposals have been scrutinised by the Overview and Scrutiny Select Committee and Council in December 2012. The final settlement required the plan for 2014/15 to be revised to accommodate the further budget savings of £7.5m which were approved in April 2013. There were no other implications impacting on the MTFS.</p>	 Green

Strategic Financial Planning

Medium Term Financial Strategy

Area of focus	Summary observations	Assessment
Review processes	<p>The MTFS is kept under regular review. However, the Council's introduction of a 2 year financial plan offers a certain amount of stability to the earlier years of the MTFS.</p> <p>The most recent review (April 2013) introduced the revision to 2014/15, arising from the local government financial settlement. Further years were unaffected.</p>	 Green
Responsiveness of the Plan	<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 Cabinet, Scrutiny Group (Performance &VFM) and full Council, the Council is able to monitor the performance of services against budgets and respond to significant cost pressures and issues identified.</p> <p>In developing the MTFS the council has challenged service delivery and developed strategies in line with its vision of being a Co-operative Council, through:</p> <ul style="list-style-type: none">• Service redesign through change to less expensive customer management• Improving business processes to reduce bureaucracy and red tape• Reductions in corporate services in response to the changing shape of the organisation• Aligning service delivery and the neighbourhood agenda, reducing tiers of management and introducing new ways of working• Alternative methods of service provision (Adult Social Care)• Regional working across Greater Manchester.	 Green

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Appendix - Key indicators of financial performance

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	<p>The Council has a good understanding of its financial environment at all levels. The Cabinet and Directorate Heads are fully informed to enable effective business planning. Members are kept up to date and this is evidenced through sessions themed on understanding the financial environment and proposals for responses to risks identified. Business planning is integrated throughout the Council.</p>	 Green
Executive and Member Engagement	<p>The budget review process is approached from several perspectives, including a thematic and priorities based cost cutting approach, but also including process-based (eg procurement, asset use) and service-based (ie considering new ways of working) approaches. This approach has required considerable engagement through various work-streams to develop budget proposals. A 'Star Chamber' process is in place to review potential savings options; this can meet several times prior to presenting the final proposals to members.</p> <p>The Overview and Scrutiny Committee – Performance and VFM reviews proposals and provide significant challenge – requesting that savings proposals be reconsidered where necessary (£2m in 2012/13), before final proposals are issued to Council.</p> <p>The Council engages its residents, through its publication of 'Borough Life' and local and free newspapers, inviting them to contribute to the 'Budget Challenge'. The Council also met with residents and others at “budget conversation” events at which further consultation took place with all interested stakeholders</p> <p>There is independent representation in the governance process through the independent chair of the Audit Committee, who is not a member of the Council.</p>	 Green
Overview for controls over key cost categories	<p>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.</p> <p>Revenue budget monitoring is reported to the Cabinet and Scrutiny Panels throughout the year and provides members with performance information regarding the delivery of savings and actions required going forward.</p>	 Green
Budget reporting: revenue and capital	<p>Budget reporting is robust and comprehensive for both Revenue reporting and Capital programme reporting. Revenue monitoring reports to Cabinet compare results against plan and compare against revised budget. Mitigations for any issues identified are reported within these reports.</p>	 Green
Adequacy of other Committee/ Cabinet Reporting	<p>Revenue budget monitoring is reported to the Cabinet and Scrutiny Panels throughout the year, based on monthly closedowns, and provides a further level of challenge, alongside reviewing any impact on service performance.</p>	 Green

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Appendix - Key indicators of financial performance

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	<p>The Council has a robust business planning and budget setting process, which takes into account the views of stakeholders and includes rigorous review by Members.</p> <p>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 and activity monitoring to identify areas where services can be provided more effectively and efficiently.</p> <p>The Council has an effective Treasury Management strategy in place which is reported regularly to the Audit Committee.</p>	 Green
Performance against Savings Plans	<p>The Council has a good track record of achieving savings targets and meeting its budget.</p> <p>For 2012-13 and 2013-14, the Council identified that £42m of savings would be required to achieve its budget across the two years. The Council has evidenced that it is on target to achieve these savings, achieving an underspend against budget in 2012/13 primarily through the achievement of £24.5m of savings.</p> <p>The Council has already reviewed its planning for 2014-2017 following the Local Government Settlement in April. It has increased the planned savings for 2014/15 from £13m to £20.5m and has identified that savings of £15m a year will be required for 2015/16 and 2016/17 to deliver a balanced budget across these years. Whilst all these are lower than for previous years, they will still present a significant challenge.</p> <p>The Council is developing a number of scenarios to manage this delivery and work is currently ongoing to complete business plans as part of this process.</p>	 Green
Key Financial Accounting Systems	<p>The Council has generally sound financial systems to deliver effective financial reporting to its demanding standards and timetable.</p> <p>The Council is seeking to further improve its financial systems by developing a fixed asset system that will enable it to deliver an efficient monthly closedown - to CIPFA Code standards - and contribute further to the swift production of the annual financial statements.</p>	 Green

Financial Control

Internal and external assurances

Area of focus	Summary observations	Assessment
Finance Department Resourcing	<p>The Council has experienced senior managers and staff within the Finance Department. Staff responsible for the production of the accounts, monthly finance reports and global revenue monitoring reports are all experienced. Rotation and succession planning is in place for key positions to ensure service continuity. Finance staff have delivered the challenges associated with the Council's Financial Management Transformation Project - preparing the accounts to an unprecedented timetable. The 2011/12 financial statements were audited and published - without any material errors being identified - by 25 June 2012, and the 2012/13 financial statements were produced for audit on 26 April 2013, with no material errors, and an anticipated opinion date of 31 May 2013. The Council's main financial statements are now prepared on a monthly basis alongside budget reporting.</p>	 Green
Internal audit arrangements	<p>The Council has an effective in-house internal audit function which fully complies with CIPFA standards. Internal Audit plans are approved by the Audit Committee annually. Action plans are followed up and monitored through reporting to Audit Committee regularly, and robust challenge is provided by members of the committee. Internal audit provide reports on their reviews of the Council' financial systems by 31 March to provide assurance to finance officers in advance of the production of the financial statements. Internal audit work is of sufficient coverage and quality to provide assurance on significant elements of controls testing and substantive testing to external audit.</p>	 Green
External audit arrangements	<p>External audit are provided with regular updates through monthly meetings with the Borough Treasurer and senior finance staff, where detailed explanation of the Council's revenue and capital position are provided together with any emerging risks. A clear 'no surprises' culture is in place at the Council and no formal reporting actions have needed to be taken by external audit.</p>	 Green
Assurance framework/ risk management	<p>The Council has an Approved Risk Management Strategy and Performance Review framework in place to monitor the achievement of it objectives. The Corporate Risk Register is subject to regular review by the Audit Committee and the Council's Performance Monitoring Report is monitored by the Overview and Scrutiny Committee – Performance and VFM,, and Cabinet. The 2012/13 Annual Governance Statement (AGS) reflected fairly the overall assurance framework in place and is produced in line with requirements from CIPFA/SOLACE "Delivering Good Governance in Local Government Framework". Quarterly progress against AGS issues are reported to the Audit Committee.</p>	 Green

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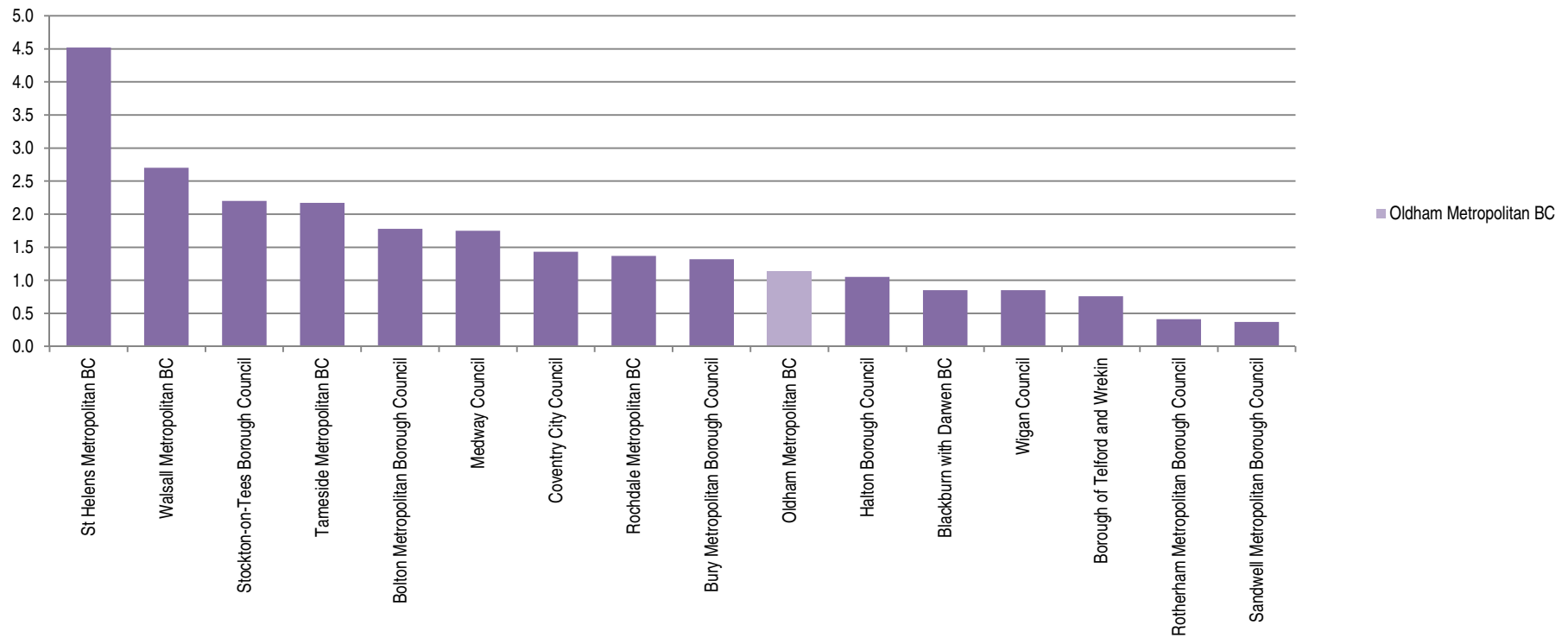
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Appendix - Key indicators of financial performance

Key Indicators of Financial Performance

Working Capital Ratio – 2011/2012

Working Capital ratio - 2011-12

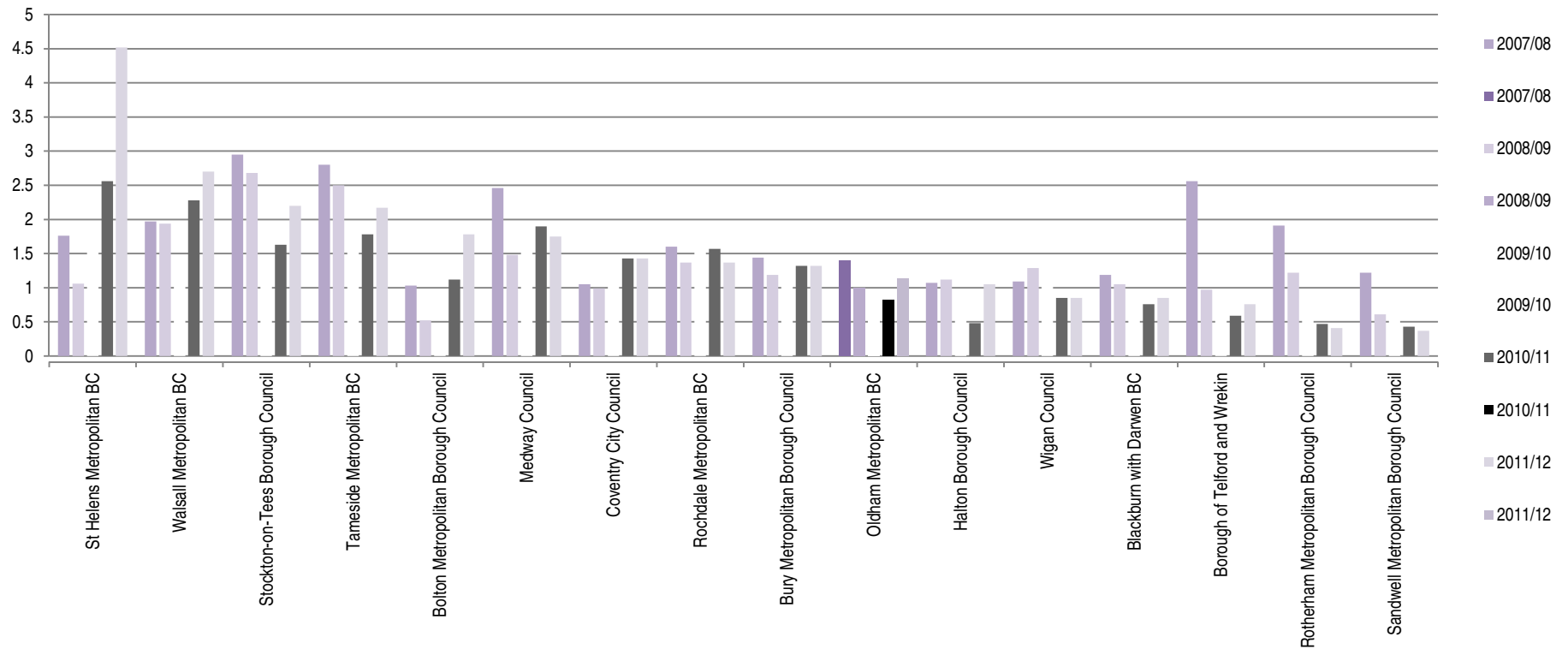


Source: Audit Commission – Financial Ratios

Key Indicators of Financial Performance

Working Capital Ratio - Trend

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

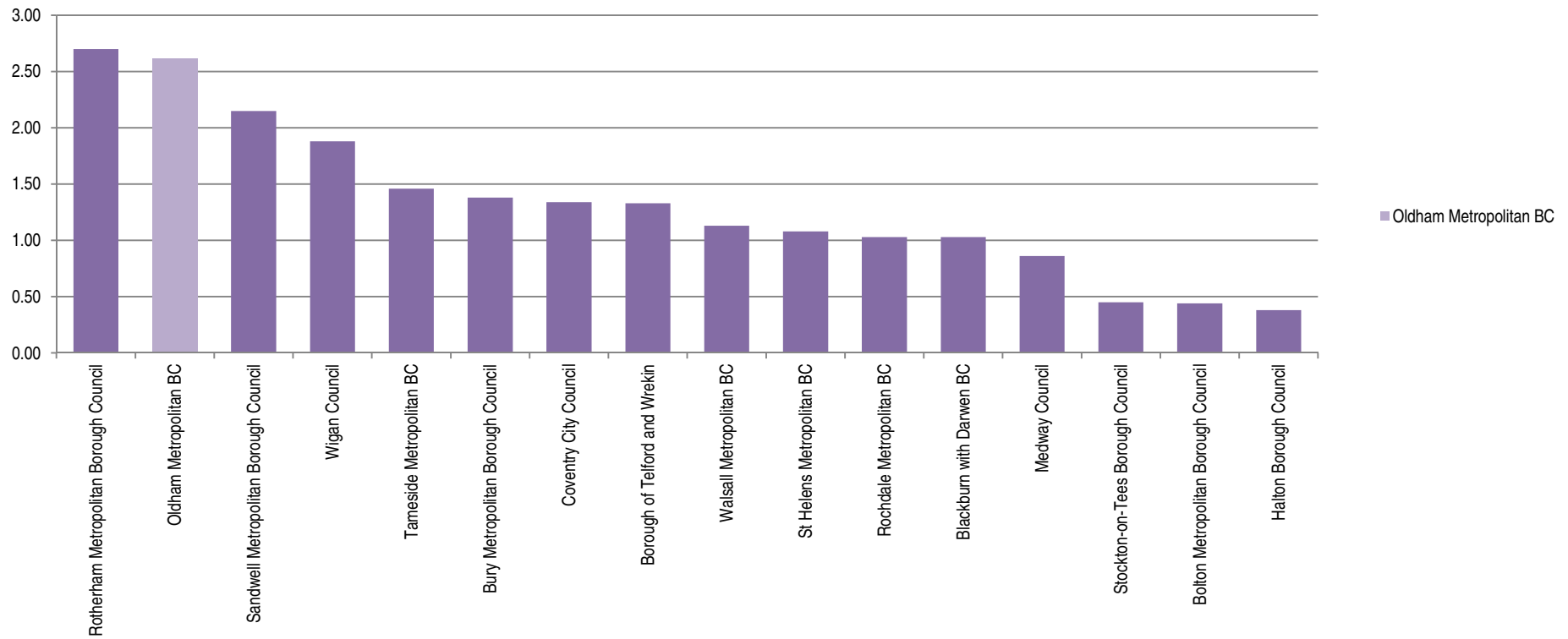


Source: Audit Commission – Financial Ratios

Key Indicators of Financial Performance

Long Term Debt to Tax Ratio – 2011/2012

Long Term Debt to Tax Revenue ratio 2011-12

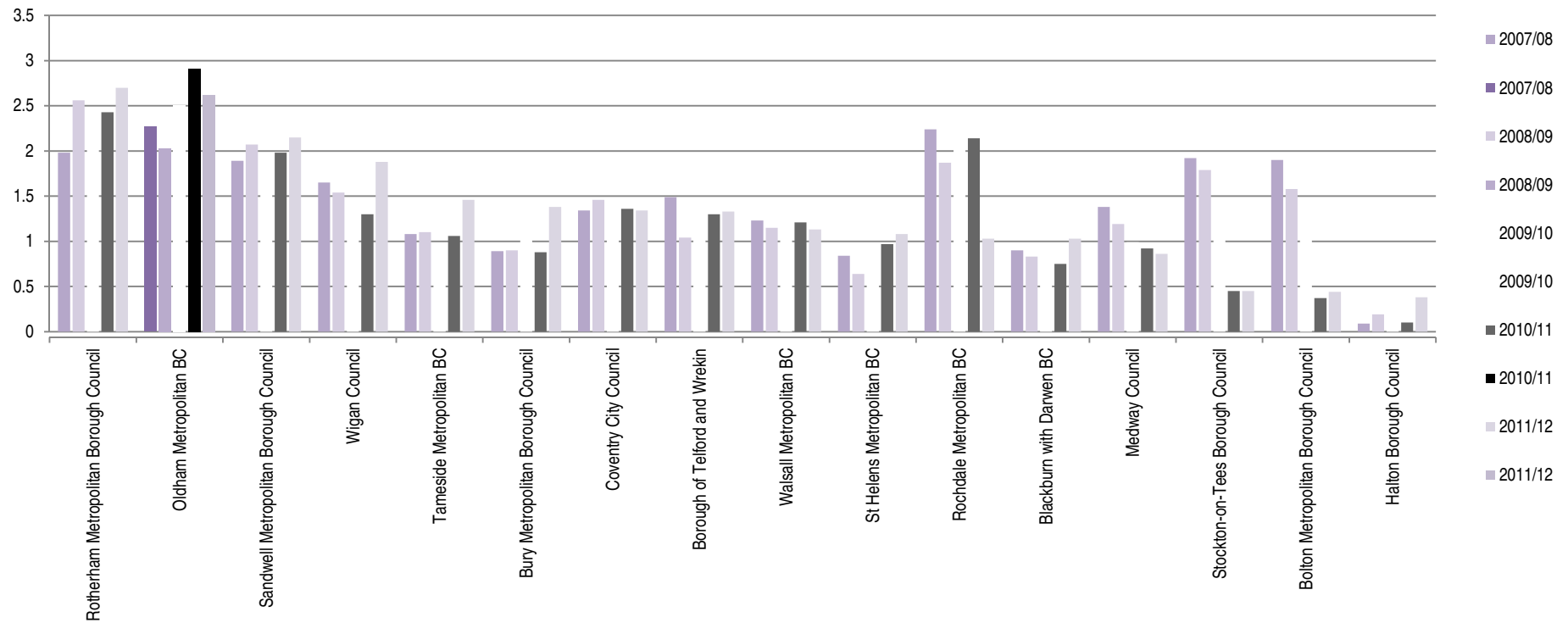


Source: Audit Commission – Financial Ratios

Key Indicators of Financial Performance

Long Term Debt to Tax - Trend

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

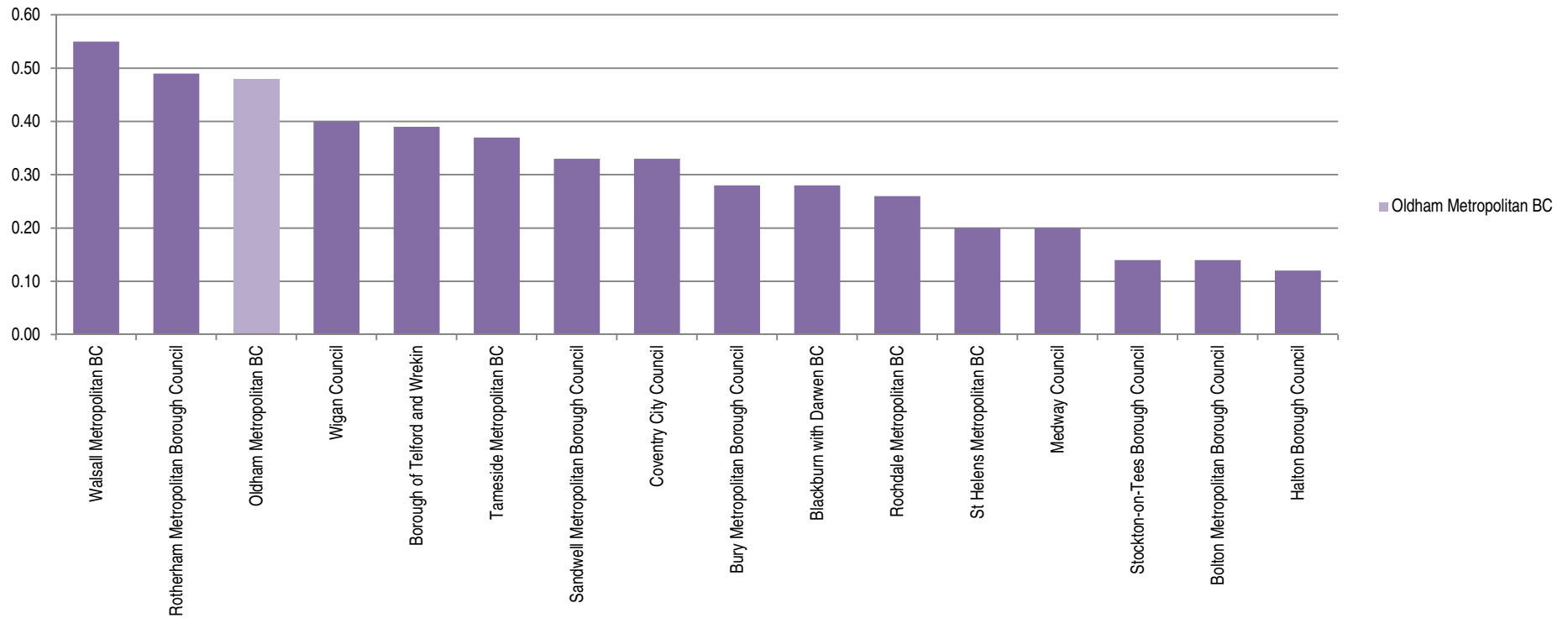


Source: Audit Commission – Financial Ratios

Key Indicators of Financial Performance

Long Term Debt to Long Term Assets – 2011/2012

Long Term Debt to Long Term Assets ratio 2011-12

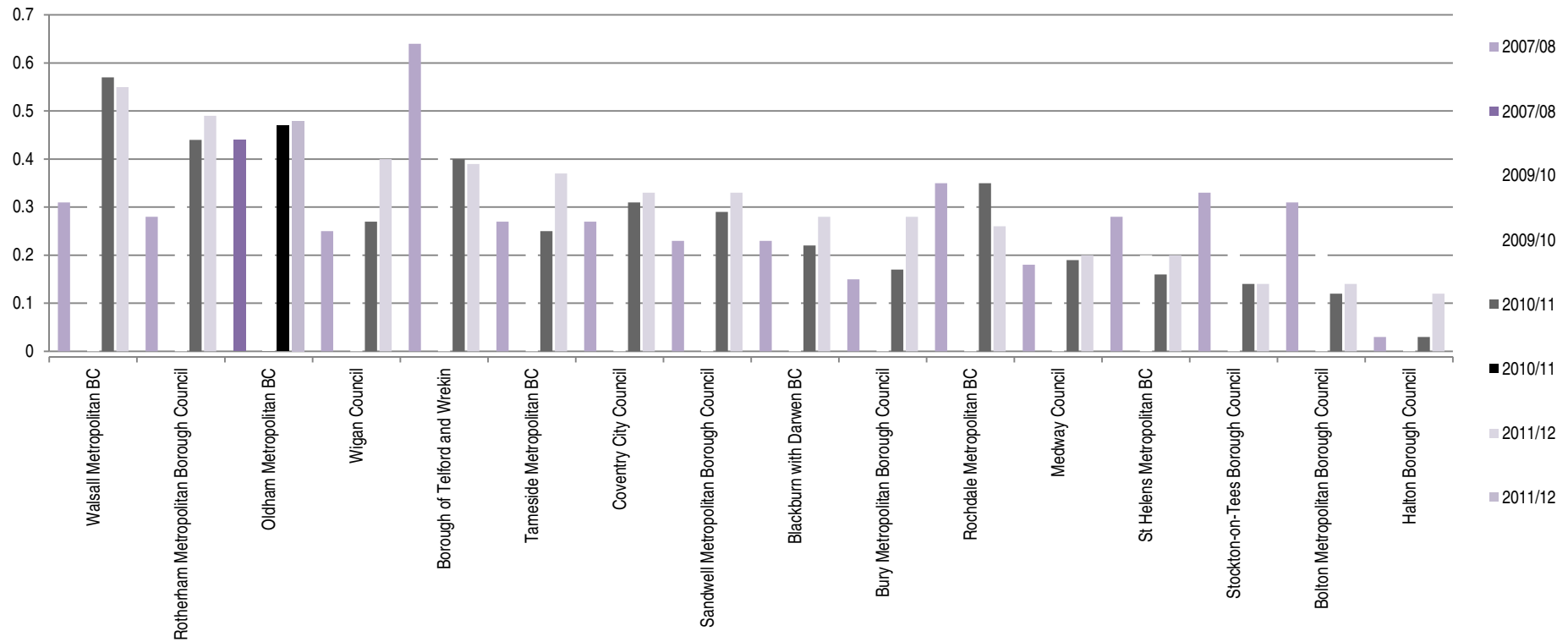


Source: Audit Commission – Financial Ratios

Key Indicators of Financial Performance

Long Term Debt to Long Term Assets – Trend

Long Term Debt to Long Term Assets Ratio - trend [in order of 2011-12 value]

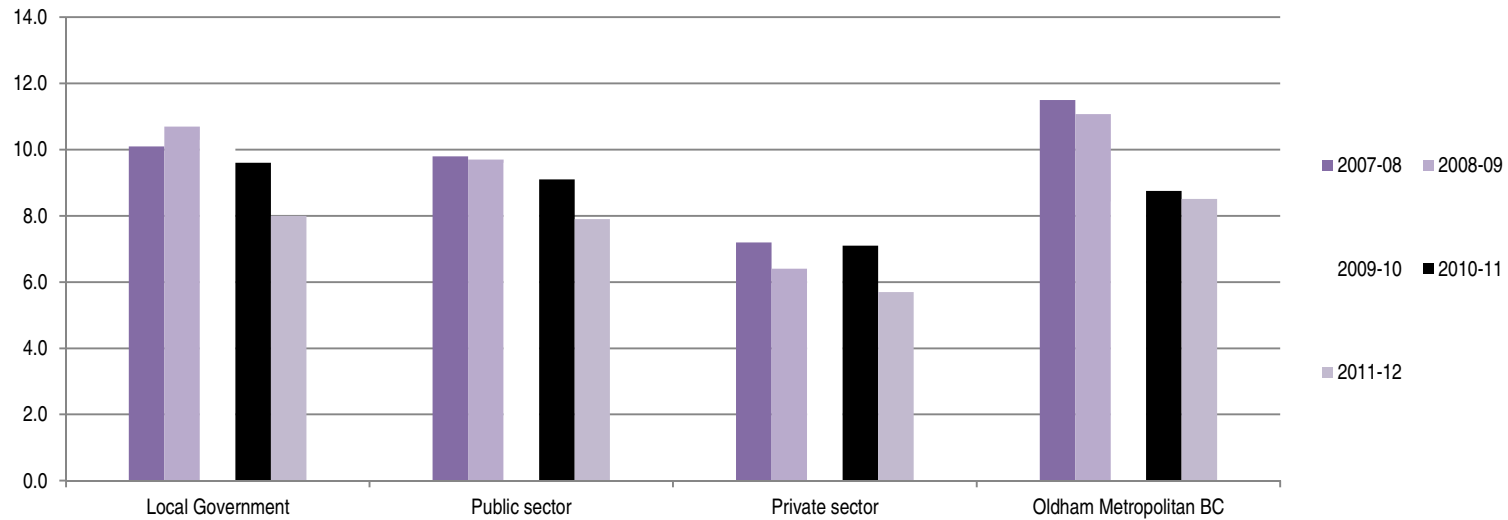


Source: Audit Commission – Financial Ratios

Key Indicators of Financial Performance

Sickness Absence Rates – Trend

Sickness absence rates [days per FTE]

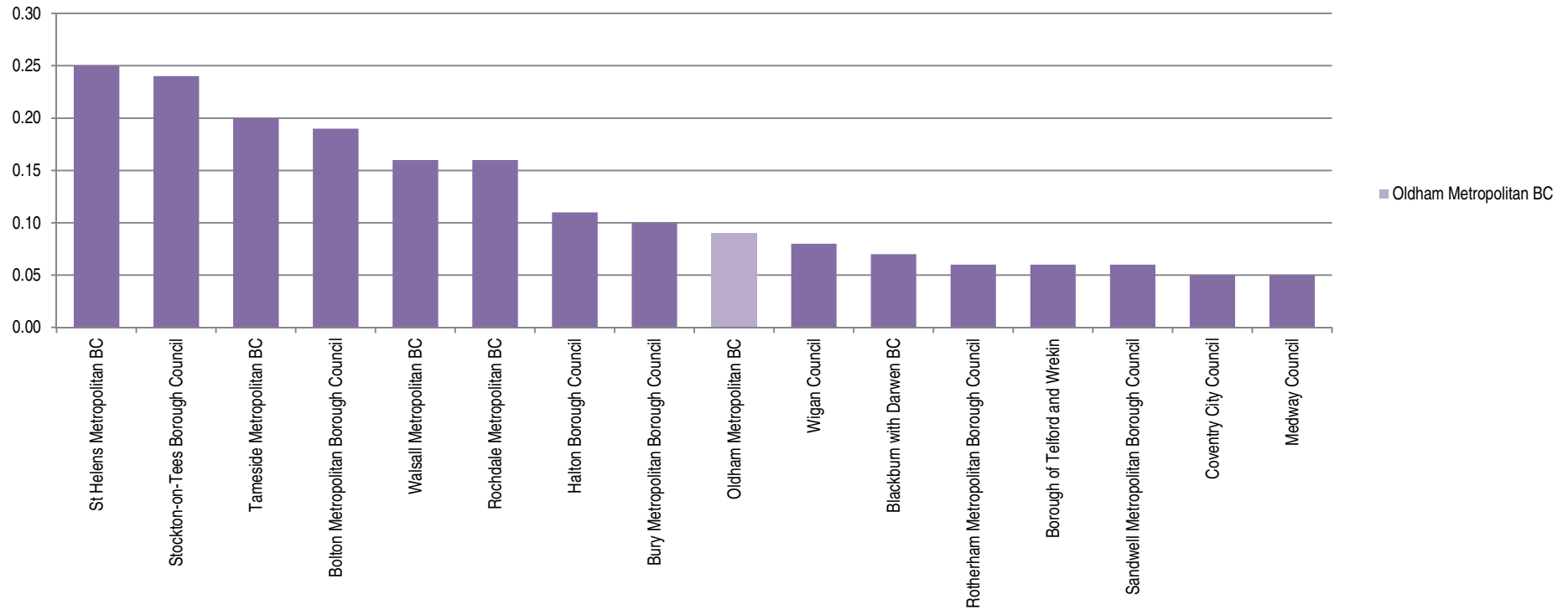


Source: Audit Commission – Financial Ratios

Key Indicators of Financial Performance

Usable Reserves to Gross Revenue Expenditure – 2011/2012

Usable Reserves to Gross Revenue Expenditure ratio 2011-12

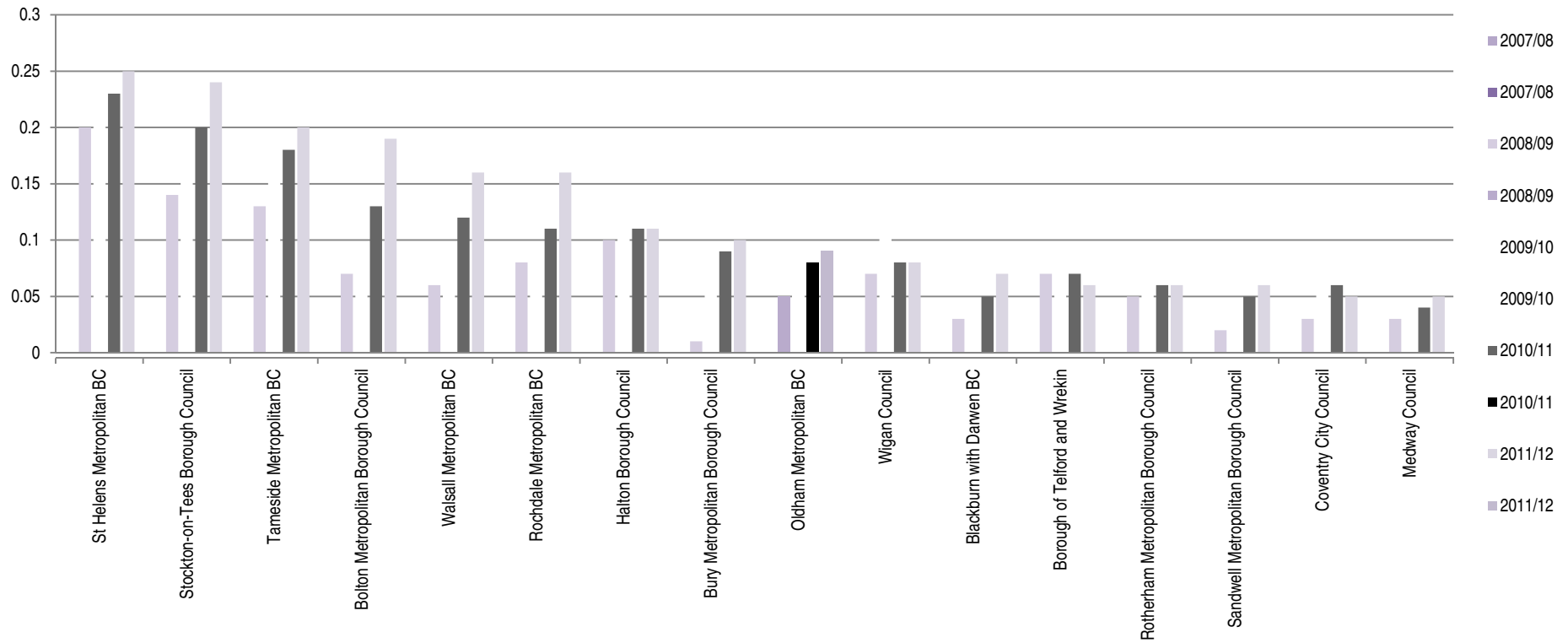


Source: Audit Commission - Financial Ratios

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]

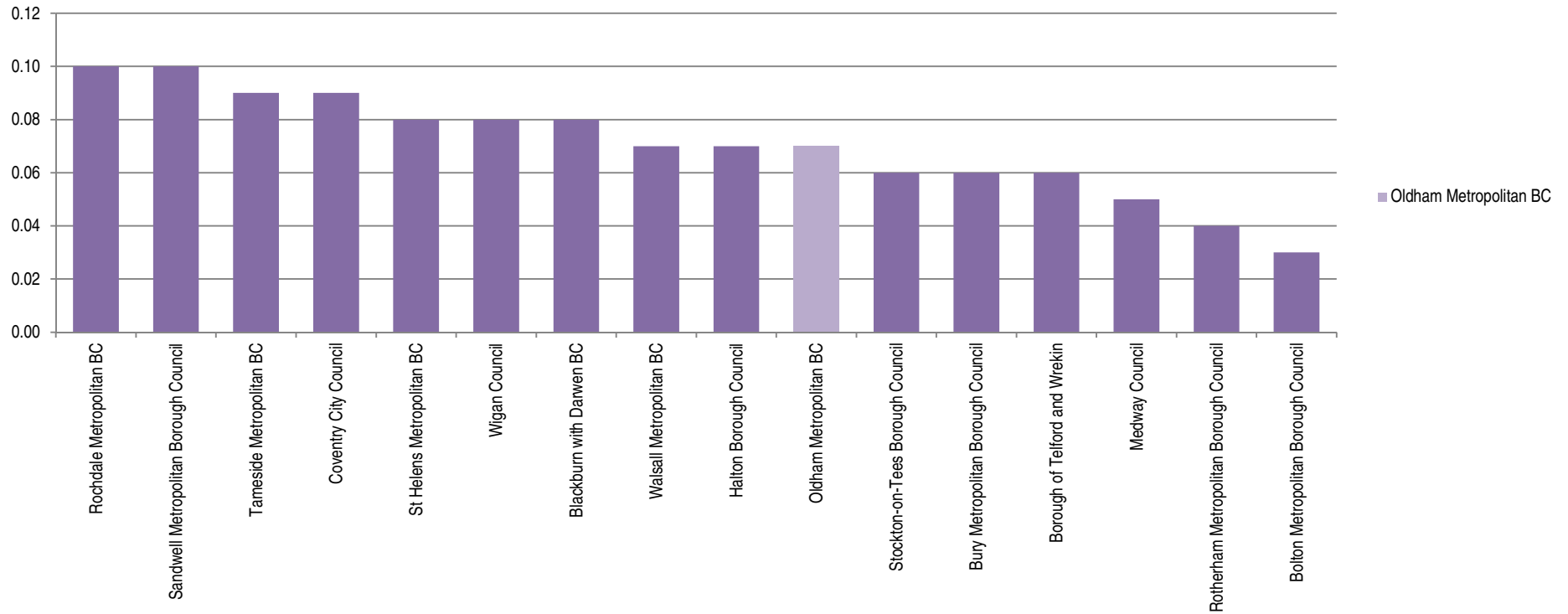


Source: Audit Commission - Financial Ratios

Key Indicators of Financial Performance

Schools Balances to Dedicated Schools Grant – 2011/2012

Schools Balances to Dedicated Schools Grant ratio 2011-12

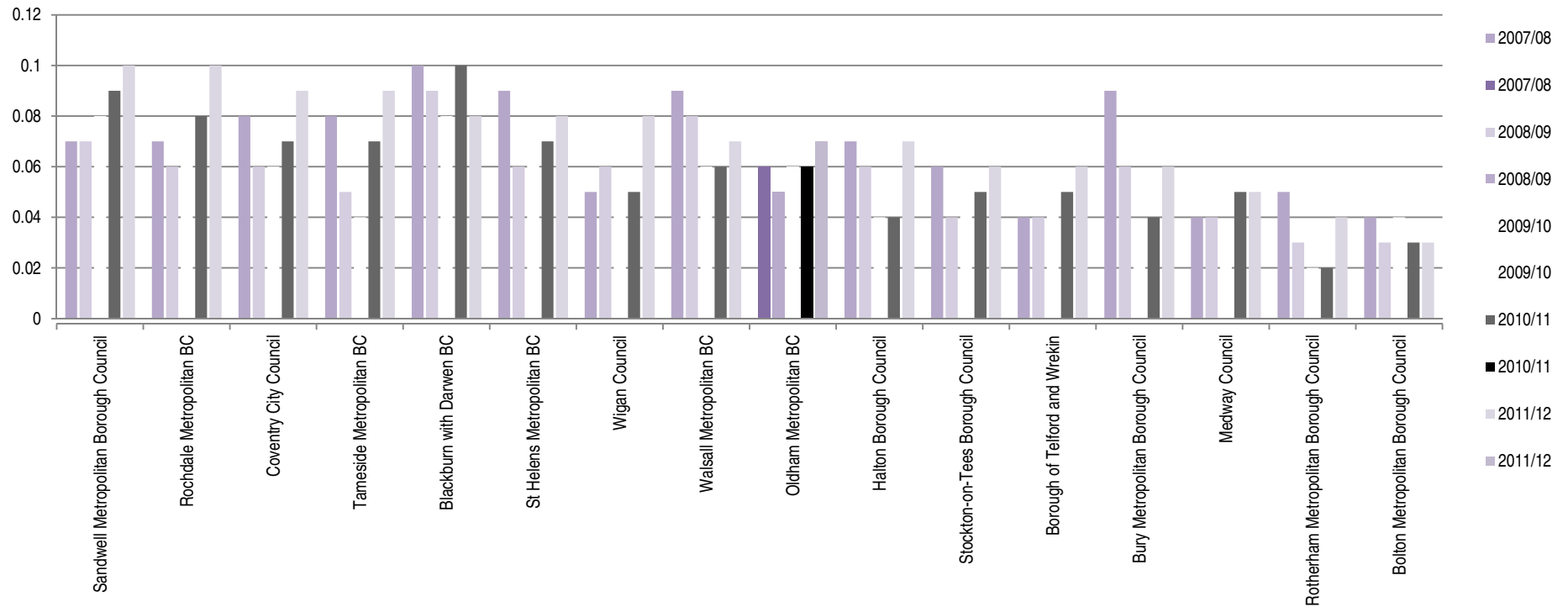


Source: Audit Commission – Financial Ratios

Key Indicators of Financial Performance

Schools Balances to Dedicated Schools Grant - Trend

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



Source: Audit Commission – Financial Ratios



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