

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

Year ended 31 March 2013

August 2013

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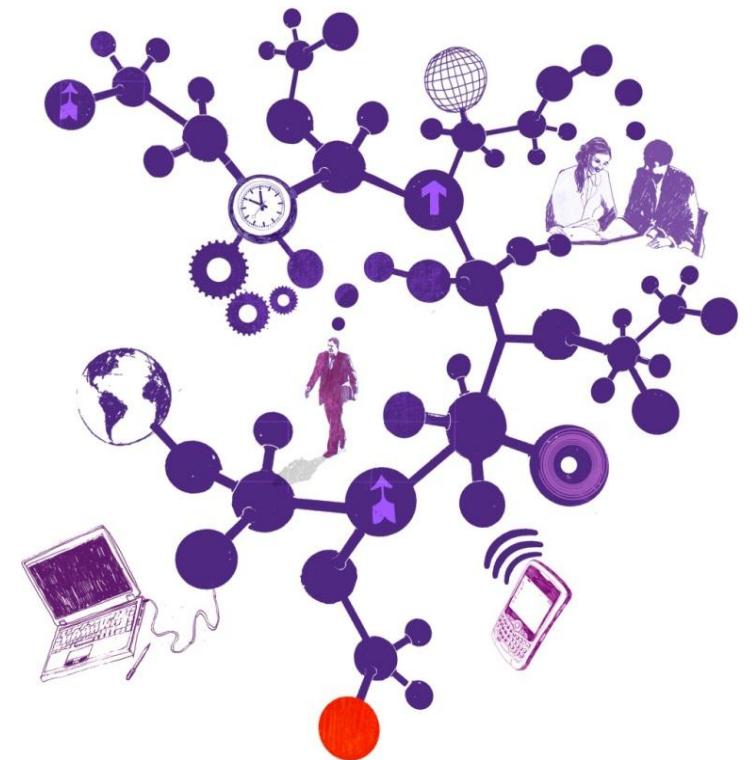
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to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

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 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 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




Chorley Borough Council is a district council in Central Lancashire covering an area of 78 square miles. The borough of Chorley has a population of 107,600 with 21% of the population under 15 and 8% over 65 years old, representing a relatively youthful demography. Unemployment is lower than the Lancashire, regional and UK averages.

Chorley Borough Council is working in close partnership with South Ribble Borough Council 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 £340.41 per head compared with an average of £345.66.

The Council has set a three year budget plan up to 2015-16. The Plan sets out the requirement to balance a budget gap of £1.6m with a combination of efficiencies and new income.

Executive Summary

Risk area	Summary observations	High level risk assessment
Key Indicators of Performance	<p>The key financial indicators of financial performance show that Chorley has performed well in comparison to its nearest neighbours benchmarked group. Levels of debt are relatively low when compared to long term assets and tax revenue. Tight financial management has seen the Council continually underspend, whilst maintaining good liquidity levels. The Council has relatively low levels of usable reserves compared to its statistical neighbours, although, the Council was in line with its stated policy of maintaining its general fund reserves at or around £2m. In the context of the range of uncertainties facing local government finance it will be important to keep the required level of general fund balance under close review.</p>	 Green
Strategic Financial Planning	<p>The Council has adopted a corporate approach to identifying savings to ensure savings levels are achieved. The Council has an excellent understanding of its costs. It uses transaction costs and unit costs to improve value for money (VFM) and target resources. Excellent use is made of information to support the decision making process with a range of data on costs, trends, as well as performance indicators and targets.</p> <p>Budgets and savings were agreed at a corporate level by senior officers and Members. The Council has agreed a budget plan for 2013-14 and 2015-16 and incorporated the revisions arising from the latest local government settlement. The Plan identified a requirement for £1.6m of savings. Further work is required to meet the budget gap and to provide greater certainty of the financial position for 2014-15, however, the Council has made a good start in identifying those areas which can contribute towards funding the shortfall. 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>	 Green
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. 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

Executive Summary

Risk area	Summary observations	High level risk assessment
Financial Control	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. Finance staff are experienced and appropriately qualified and the Council has maintained sound controls around the fundamental financial systems to ensure effective financial reporting throughout the year. The Council has an effective Internal Audit function.	 Green

Executive Summary

Next Steps

Key points for consideration	Responsibility	Timescale	Management response
<p>The need for robust governance and financial planning and management in local government is greater than ever. Chorley Borough Council has robust systems 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.</p>			
<p>The Council has continued to deliver savings over several years. 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.</p>			
<p>Chorley currently performs well in key areas of financial performance relative to statistical nearest neighbours. Faced with a continuing uncertain financial climate it will become even more critical to ensure that the Council has appropriate levels of reserves linked to a clear evaluation of the risks the Council faces.</p>			

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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
- Useable Reserves: Gross Revenue Expenditure



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

Amber Valley Borough Council
Erewash Borough Council
High Peak Borough Council
Hinkley and Bosworth Borough Council
Kettering Borough Council
Lichfield District Council
Newark and Sherwood District Council
Newcastle under Lyme Borough Council
North Warwickshire Borough Council
North West Leicestershire District Council
Rugby Borough Council
South Derbyshire District Council
South Ribble District Council
South Staffordshire Council
West Lancashire District Council

Key Indicators




Overview of performance

Appendix 1 Note: Appendix 1 contains graphs illustrating the various key indicators commented on below.

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 2.62 at 31 March 2012 (2.92 at 31 March 2011) meaning that current assets were more than enough to meet current liabilities. Comparative information on liquidity from the Council's statistical nearest neighbours (up to 2011/12) shows that Chorley has a slightly above average working capital ratio.</p> <p>At 31 March 2012-13 the net cash position stood at £97,000 overdrawn, which is a reduction from 2011-12 at which point £3.9m was held. The position at the end of 2012/13 reflected the Council's decision to invest £3m for one year even though it was anticipated that this would result in a cash shortage for a short period over the year end. This shortfall which occurred at the year end was repaid within the first fortnight of the new financial year.</p>	 Green
Borrowing	<p>The Council's borrowing at 31 March 2013 was £7.3m with £0.4m of this being due within 12 months.</p> <p>The Council has a relatively low level of long term debt when compared to its benchmarked group. When compared to both the value of long term assets and tax revenues the level of long term borrowing is comparatively low against its nearest neighbours.</p>	 Green

Key Indicators

Overview of performance

Area of focus	Summary observations	Assessment
Workforce	The Council has continued to reduce its sickness absence levels. In 2011/12, the average working days lost to sickness absence was 5.44 days per FTE. This was lower than the average across both the public and private sector. The latest information for 2012/13 shows an increase in days to 7.27 per FTE. The Council understands the reasons for the increase having prepared a report for the Strategy Group and has put in place a series of actions to address the increase. The figures for the first 3 months of 2013/14 are significantly better.	 Green
Performance Against Budgets: revenue & capital	The Council has a good track record in achieving the revenue budget and managing financial performance. In 2011-12, the Council achieved a surplus of £1.2m and in 2012-13 a surplus of £1.277m was achieved. The Council set an ambitious capital programme for 2012/13 of £4.6m, however, slippage on a number of schemes results in capital expenditure of £1.8m with the Council re-profiling the expenditure and its associated financing into 2013/14. There are no significant issues identified with costs of individual schemes at this stage.	 Green
Reserve Balances	<p>Total Usable Revenue Reserves at 31 March 2013 were £6.4m, an increase of £1.3m on the previous year. Within these, the General Fund Reserve balance decreased by £0.2m to £2.1m, and Earmarked Reserves increased by £1.5 to £4.3m.</p> <p>When compared to the Audit Commission nearest neighbour benchmark group, the Council has the lowest level of useable revenue reserves compared to gross revenue expenditure at the 2011-12 year end. However, the Council was in line with its stated policy of maintaining general fund reserves at or around £2m and is in line with the s151 officers assessment of the level of general fund balances needed in the context of current risks. It will be important for the Council to keep this under close review in the context of changing risks and uncertainties around the financial position in the medium to long term.</p>	 Amber

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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
Focus of the MTFS	<p>The Council has a Medium Term Financial Strategy (MTFS) for the period 2013/14 to 2015/16 which was approved by the Executive Cabinet in January 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 2015/16 of £1.6m.</p> <p>A key component of the MTFS is the projection of working balances going forward and that balances should not be lower than £2million over the financial period 2013/14 – 2015/16.</p>	 Green
Adequacy of planning assumptions	<p>The Council has a good track record of achieving its budget and its cost savings requirements. In 2011/12 the Council delivered efficiencies of £1.2m against a target of £1.1m and for 2012/13 delivered efficiencies of £0.98m, in line with its target for the year.</p> <p>The MTFS is based on sound judgements around pay costs, Council Tax increases, Pension contribution increases, reduction in grant settlement, business rate retention, and New Homes Bonus monies. The Council's focus remains on a MTFS which is regularly revisited in terms of assumptions as new information becomes available. 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.</p>	 Amber
Scope of the MTFS and links to annual planning	<p>The Medium Term Financial Strategy recognised the priorities set out in the Corporate Plan and the risks identified through the corporate risk assessment process. 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.</p>	 Green
Review processes	<p>The strategy is updated, reviewed and challenged annually with revisions taken to the Executive Cabinet. This is performed when the Council is preparing and setting its budget for the forthcoming year. In addition regular budget monitoring reports during the year also include consideration of the impact of any changes on the MTFS.</p>	 Green

Strategic Financial Planning

Medium Term Financial Strategy

Area of focus	Summary observations	Assessment
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 Executive Cabinet, 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 Corporate Plan.</p>	 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	<p>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 sound 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. Recent examples include the provision of training for Governance Members ahead of the June Committee meeting which discussed the Council's draft accounts.</p>	 Green
Executive and Member Engagement	<p>Engagement by members and senior management is good at the Council. There is an open management style which encourages active participation and challenge. The Chief Executive sets the tone with a management style that encourages debate and openness. There is clear evidence of Members providing scrutiny and challenge on decision making processes at 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. Regular revenue budget monitoring is reported to the Cabinet 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 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.</p>	 Green

Financial Governance

Understanding and engagement

Area of focus	Summary observations	Assessment
Adequacy of other Committee/Cabinet Reporting	The Council has effective scrutiny arrangements. Reports are provided regularly to the Scrutiny Committee who provide a further level of challenge, alongside reviewing any impact on performance.	 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	<p>The Council has a robust and effective business planning and budget setting process, which takes into account the views of stakeholders and includes 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 example includes the restructure of the shared financial services arrangement.</p> <p>The Council has an effective Treasury Management strategy in place which is reported regularly to the Governance Committee.</p>	 Green
Performance against Savings Plans	<p>The Council has an excellent track record of achieving savings targets and meeting its budget. Since 2011/12 the Council has delivered £ 2m of efficiencies, analysed between:</p> <ul style="list-style-type: none">• 2011/12 £1.1 m• 2012/13 £0.9 m <p>The Council's Medium Term Financial Services for the period 2013/14 - 2016/17 currently forecasts a cumulative budget gap of £1.6m which presents a significant challenge. The Council has clear ideas and proposals of how this is to be delivered and has set out the key areas to be targeted over the next two years within its Medium Term Financial Strategy.</p>	 Green
Key Financial Accounting Systems	<p>The Council has sound financial systems to deliver effective financial reporting to its demanding standards and timetable. Recent 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>	 Green


Financial Control

Internal and external assurances

Area of focus	Summary observations	Assessment
Finance Department Resourcing	<p>The Council's Finance function forms part of the shared financial services arrangements with South Ribble 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 27th June 2013, with an anticipated opinion date of 30 September 2013. At this stage no material errors have been identified.</p>	 Green
Internal audit arrangements	<p>The Council's Internal Audit Section also forms part of the shared financial services arrangement with neighbouring South Ribble 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 88% 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>	 Green
External audit arrangements	<p>External audit are provided with regular updates through quarterly meetings with the Chief Executive and Monitoring Officer. On-going meetings are also held throughout the year with the Head of the Shared Financial Service and the Head of Assurance. 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 and council officers. No formal reporting actions have needed to be taken by external audit.</p>	 Green

Financial Control

Internal and external assurances

Area of focus	Summary observations	Assessment
Assurance framework/risk management	<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 Chorley 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 Chorley has approved and adopted a code of governance that is consistent with the principles of the CIPFA/SOLACE 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>	 Green

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Key Indicators of Financial Performance

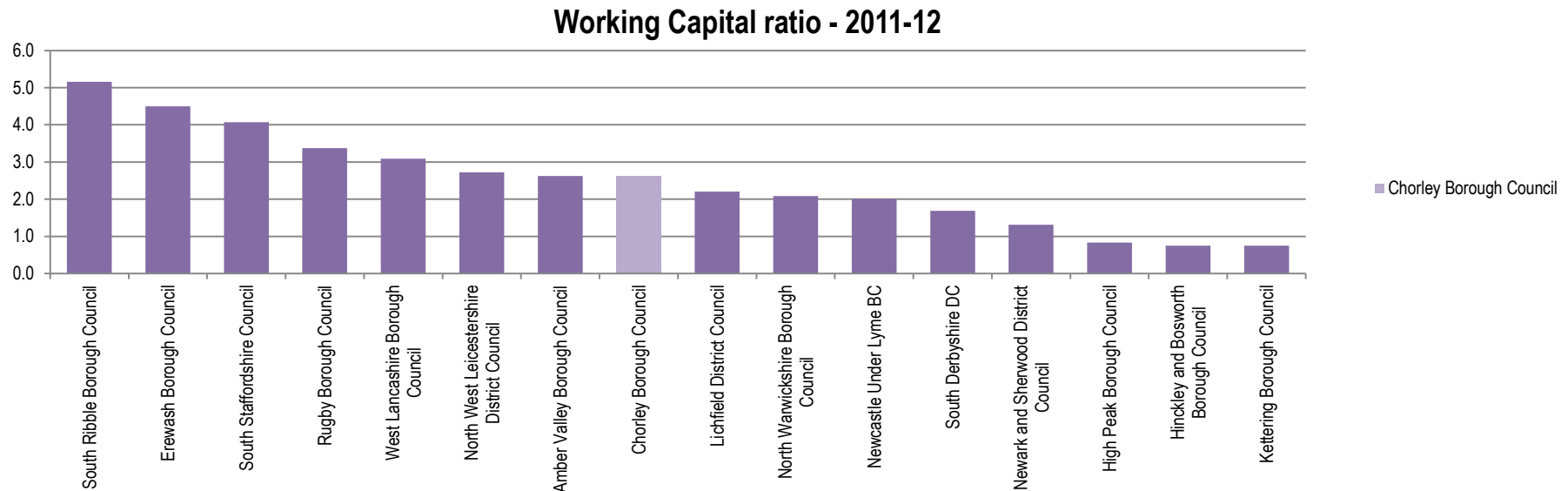
Working Capital Ratio - 2011/2012

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 2.62 in 2011/12, indicating that its current assets could cover its immediate liabilities twice. The Council's working capital was slightly above the average (2.49) when compared with its statistical nearest neighbours.



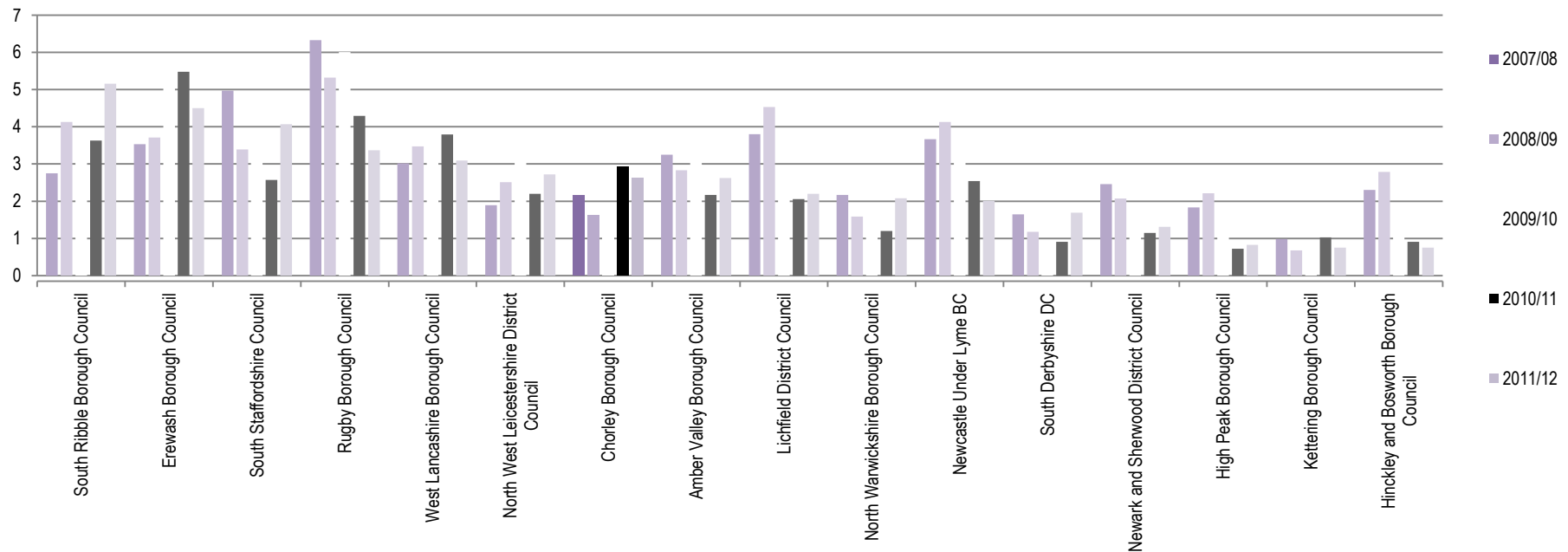
Key Indicators of Financial Performance

Working Capital Ratio – Trend

Findings

There is a mixed picture in terms of the movement in working capital ratios across the nearest neighbours. 6 out of the 16 boroughs have increased their working capital ratio from 2007-08 to 2011-12, whilst the other 10 have seen a decrease over the same period. Of those boroughs with an increasing working capital ratio the average increase is around 32%. The Council has seen an increase of approximately 22% (2007-08 (2.15) to 2010-11 (2.62)) indicating that the Council's rate of increase is less than most of its nearest neighbours.

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



Key Indicators of Financial Performance

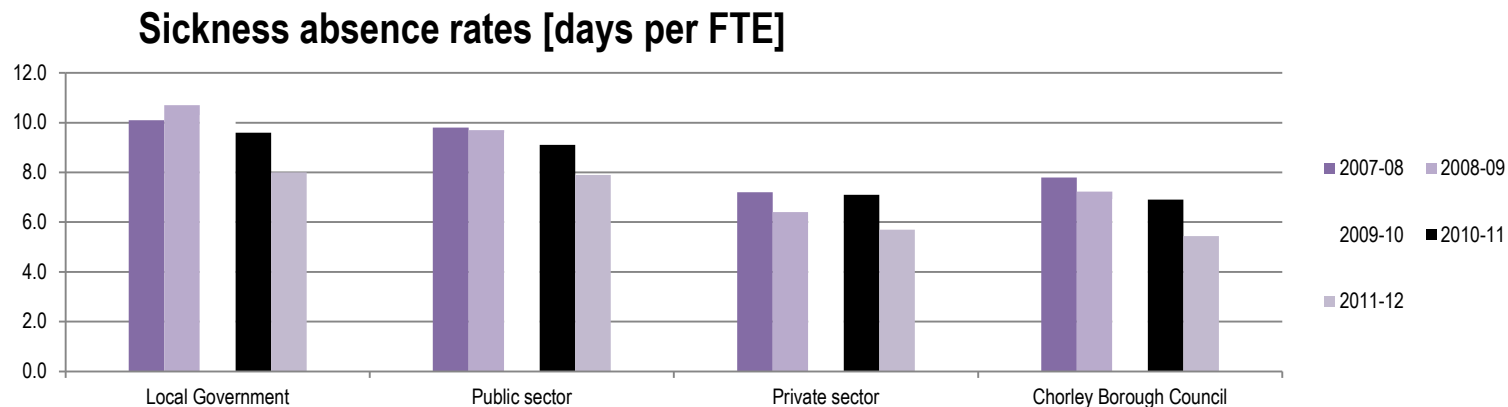
Workforce – Sickness absence rates

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 5.44 days per FTE represented a 30.1% reduction since 2007/08. The Council's sickness absence levels for 2011/12 are below the average sickness levels for both the public and private sector, including Local Government. The figure for 2012/13 showed an increase in sickness levels to 7.27 days per FTE, of which 4.38 days relates to long term sickness.



Key Indicators of Financial Performance

Long Term Debt to Tax Ratio - 2011/2012

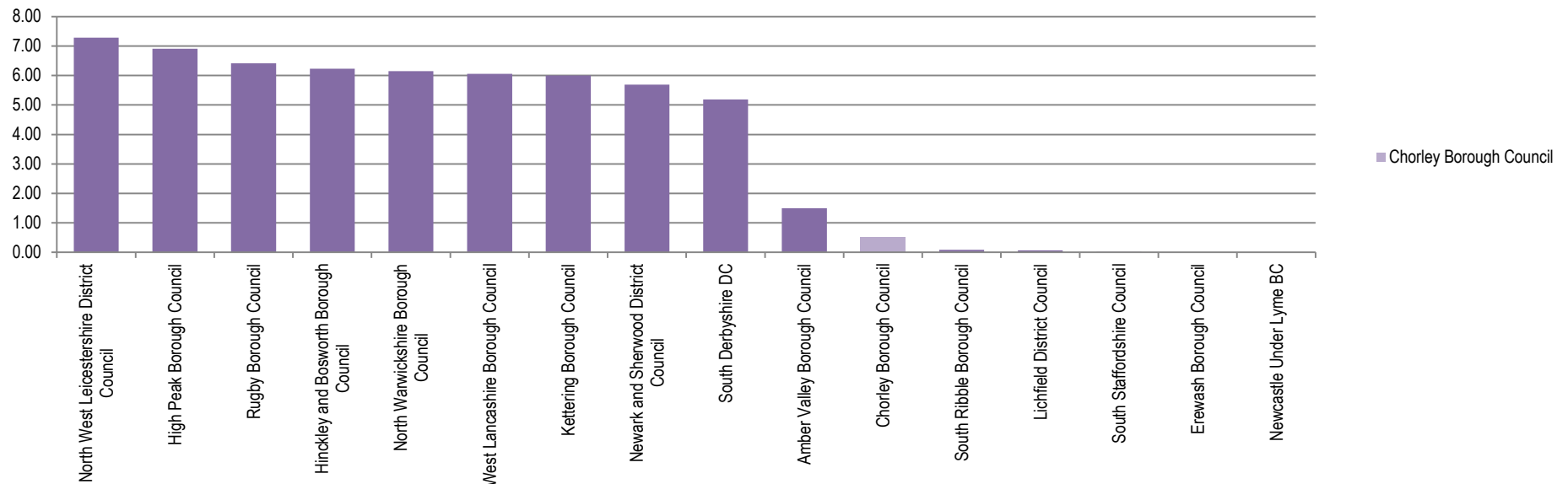
Definition

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

Findings

The Council's long term borrowing ratio (as a percentage of tax revenue) is 0.53%. The Council is one of only 4 Council's within its benchmarked group that has a long term borrowing ratio of less than 1.0%. This ratio demonstrates the relatively low levels of indebtedness at the Council.

Long Term Debt to Tax Revenue ratio 2011-12



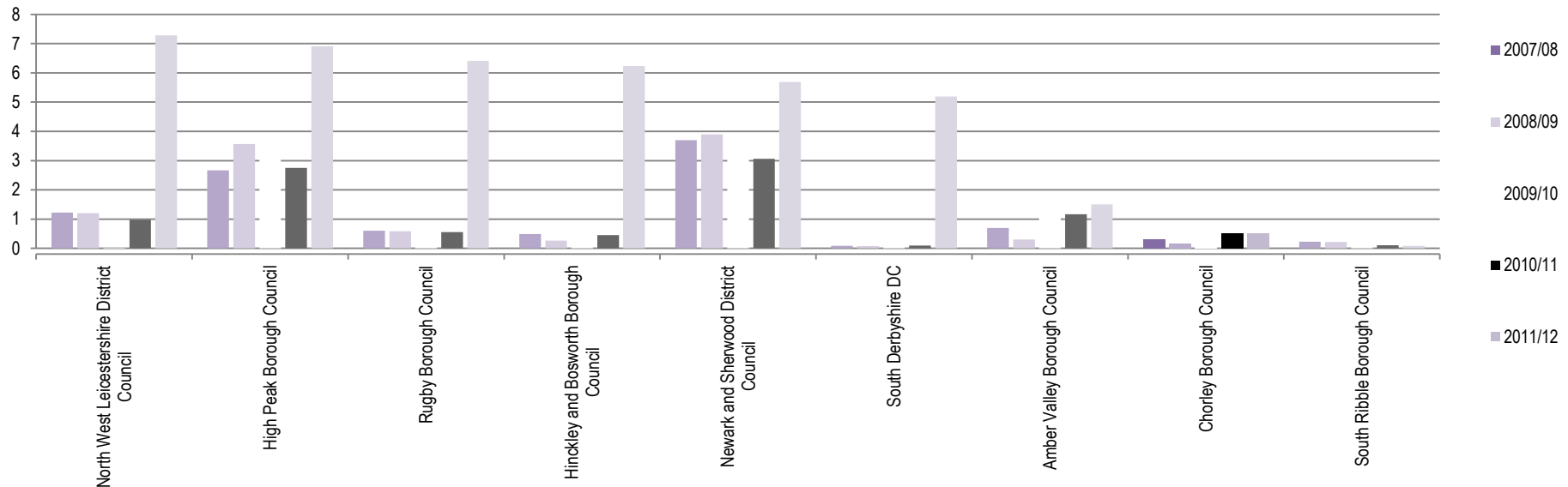
Key Indicators of Financial Performance

Long Term Debt to Tax – Trend

Findings

The Council's long term borrowing ratio (as a percentage of tax revenue) has increased by 71% (from 0.31% (2007-08) to 0.53% (2011-12)). Whilst there has been an increase over the 5 year period the overall level of indebtedness remains relatively low and is lower than the benchmarked groups overall average increase of 351 % over the same 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

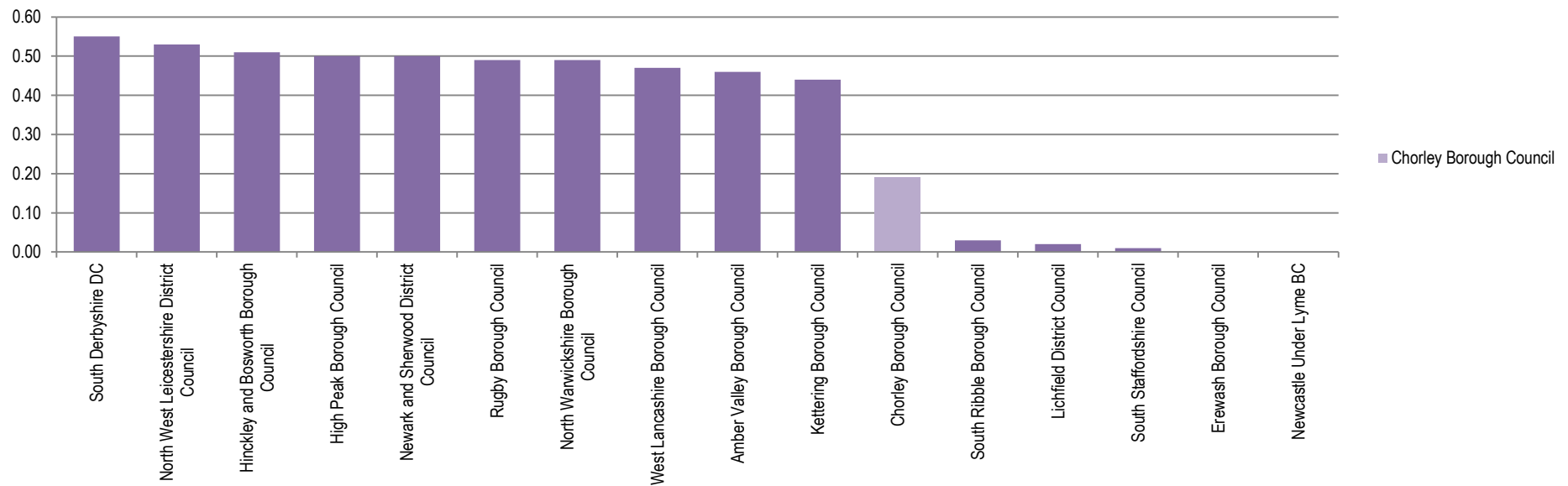
Definition

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

Findings

The Council's ratio of long term debt compared to long term assets is 0.19. The Council has a relatively low level of long term debt when compared to its benchmarked group.

Long Term Debt to Long Term Assets ratio 2011-12

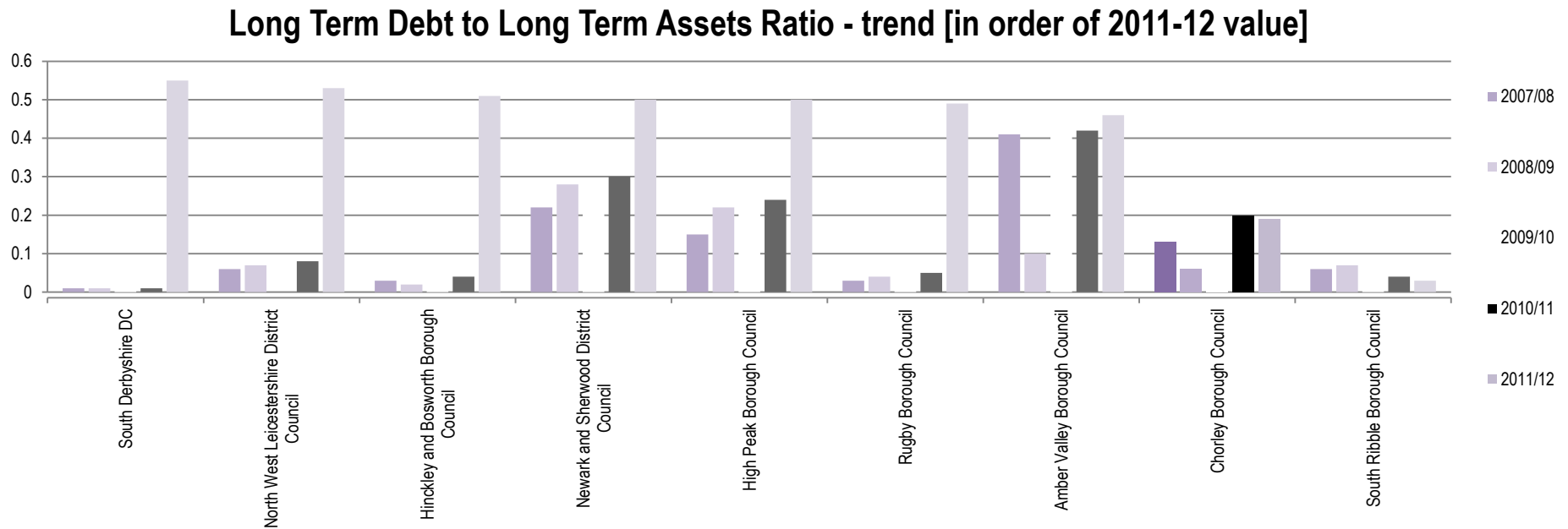


Key Indicators of Financial Performance

Long Term Debt to Long Term Assets – Trend

Findings

The Council's long term borrowing to assets ratio has increased by 46% from 2007-08 (0.13%) to 2011-12 (0.19%). The majority of the benchmarked group that provided data against this indicator (8 out of 9) have increased their ratios during the same period, with an average overall increase for the nearest neighbours group of 242%. The Council had the second lowest level of long term debt to long term assets when compared to its benchmarked group.



Key Indicators of Financial Performance

Usable Revenue Reserves to Gross Revenue Expenditure - 2011/2012

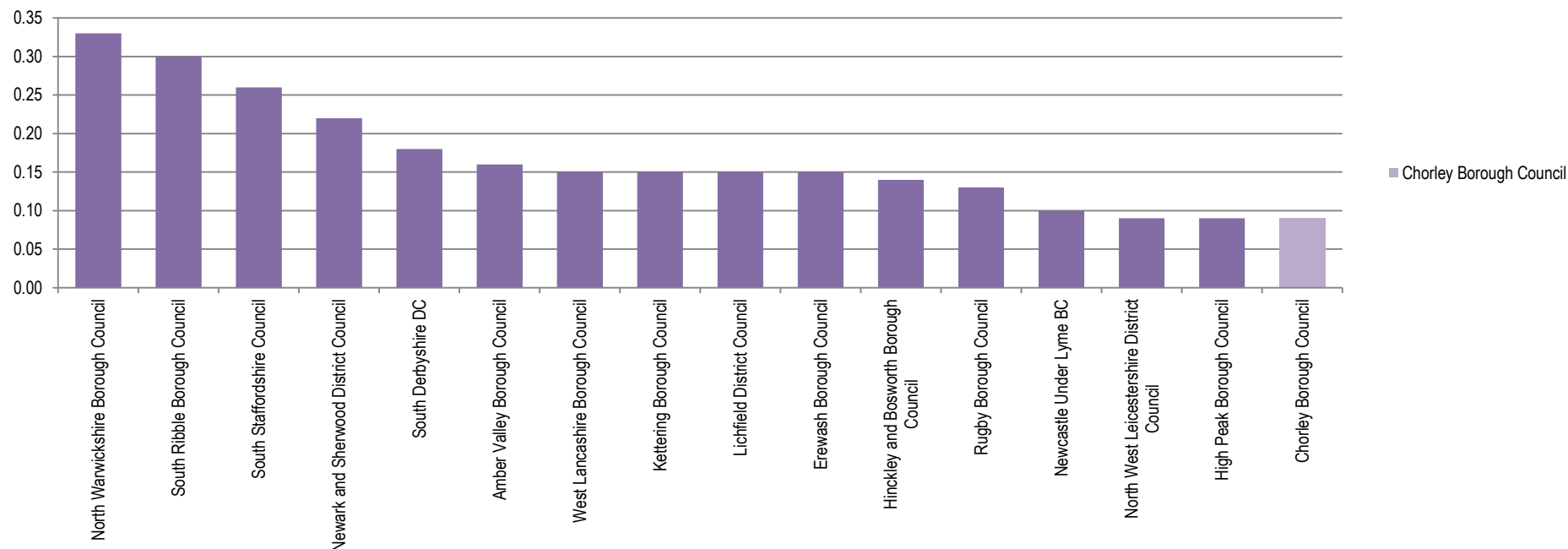
Definition

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

Findings

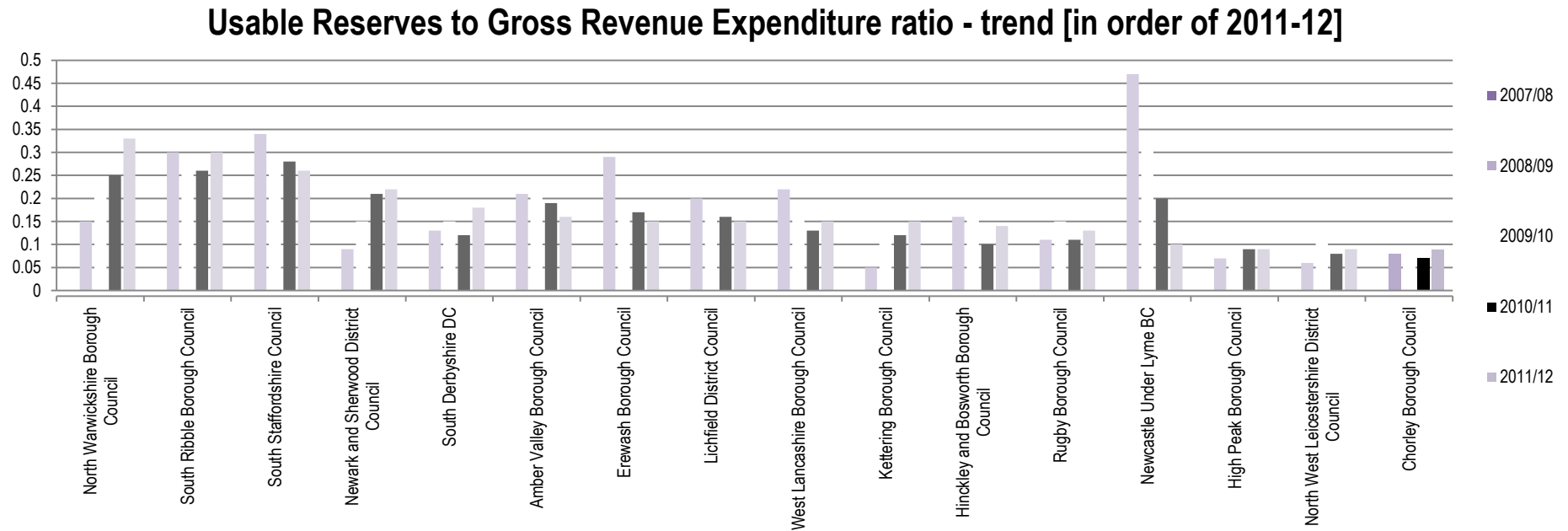
The Council has the lowest level of usable reserves (0.09) compared to gross revenue expenditure when compared with its benchmark group. CIPFA's guidance on reserves is that the level should follow the S151 officer's advice to the Council, which should be based on local circumstances.

Usable Reserves to Gross Revenue Expenditure ratio 2011-12



Key Indicators of Financial Performance

Usable Revenue Reserves to Gross Revenue Expenditure - Trend





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