

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

Year ended 31 March 2013

September 2013

Kyla Bellingall

Director

T 0121 232 5383

E kyla.bellingall@uk.gt.com

Simon Turner

Manager

T 0121 232 5273

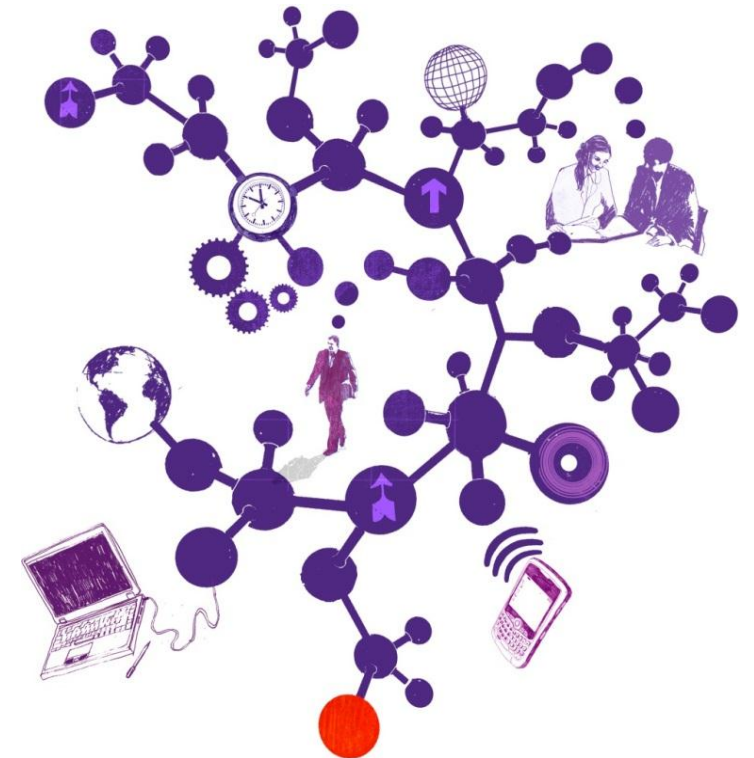
E simon.a.turner@uk.gt.com

Pik Ling Ho

Executive

T 0121 212 5324

E pik.ling.ho@uk.gt.com



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.

Contents

1 Executive Summary	Page 4
2 Key Indicators	Page 12
3 Strategic Financial Planning	Page 16
4 Financial Governance	Page 20
5 Financial Control	Page 24
Appendix - Key indicators of financial performance	Page 28

1 Executive Summary

2 Key Indicators

3 Strategic Financial Planning

4 Financial Governance

5 Financial Control

Appendix - Key indicators of financial performance

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 during 2013/14 and beyond, its current arrangements for achieving financial resilience are adequate. There is scope to improve the quality of reporting of financial performance to Cabinet and the Council's comparatively high levels of sickness absence needs to be addressed.

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 1920s. 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 further departmental 1% savings during each of 2013-14 and 2014-15. 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 round 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

The Metropolitan Borough of Dudley is in the Black Country, West Midlands. The borough includes the five main towns of Dudley, Brierley Hill, Halesowen, Stourbridge and Sedgeley. Dudley is densely populated with over 300,000 people, composed of a higher proportion of older people. The area consists of a higher proportion of white British residents, with more ethnic diversity focused South West of Dudley town centre. The overall levels of deprivation in Dudley differ little from the national average. However, there are pockets of severe deprivation. The Borough is facing tough challenges in the current economic climate.



Executive Summary

Overview of Arrangements

Risk area	Summary observations	High level risk assessment
Key Indicators of Performance	<ul style="list-style-type: none">• The Council achieved an underspend against revised budget of £1.697m in 2012/13 ,enabling a transfer to reserves• Council tax and business rates collection rates continue to be above average for English metropolitan districts• The Council's sickness levels rose to 10.63 days per FTE in 2012/13. This is the highest level since 2006/07. The Council introduced a new Absence Management Policy in May 2013 which they expect to result in decreasing levels of sickness absence• The Council's General Fund reserves have been increasing in recent years. General Fund reserves were £19.4m at 31 March 2013 (up from £12.2m a year earlier)• Dudley's school balances have been increasing significantly and are higher than comparable authorities because schools have been encouraged to keep reserves in respect of equal pay claims that they may need to settle. This totalled around £6m of total school balances of £19.9m as at 31 March 2013. The Council expects these equal pay claims to be settled within the next 12 months and so expects the school balances figure to reduce significantly at 31/3/14.	 Green
Strategic Financial Planning	<ul style="list-style-type: none">• The Council's Medium Term Financial Strategy (MTFS) is regularly updated to reflect the changing economic climate• The current MTFS has identified £58m of savings over the next three years. Almost two thirds of these savings are to be made by the Directorate of Adult, Community and Housing and the Directorate of Children's Services• The Council carried out a large public consultation to inform its budget setting process, supported by detailed consultation with groups identified as being potentially affected by the specific savings proposals, with a particular emphasis on equality issues.	 Green

Executive Summary

Overview of Arrangements

Risk area	Summary observations	High level risk assessment
Financial Governance	<ul style="list-style-type: none">Financial reporting processes are robust. However, the in-year revenue budgetary position was only reported to the Cabinet twice in 2012/13 and seven months of the financial year elapsed before the position against the revenue budget was first reported to Cabinet.There is scope to improve the quality of financial reporting to Cabinet, both in respect of revenue and capital budgets and other key financial data such as debtor collection rates and speed of payment of suppliers.	 Green
Financial Control	<ul style="list-style-type: none">The Council's financial control is demonstrated by its ability to achieve cost savings within the continually challenging economic climate.There is scope to improve the quality of reporting to Cabinet in respect of the savings programme.Cash is being managed appropriately in terms of market conditions and counterparty and interest rate risksThe Council has a sound risk management framework in place.	 Green

Executive Summary

Next Steps

Area of review	Key points for consideration	Responsibility	Timescale	Management response
Key Indicators of Performance	The Council should monitor the effectiveness of the new attendance management policy and assess whether it is resulting in decreasing sickness absence	Assistant Director of Corporate Resources (HR and Organisational Development)	Ongoing	The effectiveness of the policy is being monitored through its impact on absence levels reported in Quarterly Performance Reports
	The Council should encourage schools to review their reserves and ensure that they are not held for any longer than is necessary	Treasurer	Ongoing	Dudley's Scheme for Financing Schools includes a section on controls on surplus balances in line with the DfEs recommendation. Schools' are advised to review their reserves at least annually. Specifically they are advised to apply earmarked reserves where possible to meet Equal Pay settlement costs. However, it should be noted that delegated authority for managing school budgets rests with governing bodies
Financial Governance	Consideration should be given to reporting performance against the revenue budget to Cabinet at more frequent intervals than twice a year	Treasurer	Ongoing	Performance is reported to individual Cabinet members monthly. Performance was reported to Cabinet as a whole in June 2013 and will be reported on at least two further occasions in October and February

Executive Summary

Next Steps

Area of review	Key points for consideration	Responsibility	Timescale	Management response
	Consideration should be given to summarising the performance of each Directorate against their revenue budget in finance monitoring reports to Cabinet	Treasurer	December 2013	Cabinet reports focus on individual directorates on an exception basis. The report to Cabinet in June 2013 highlighted a risk in relation to the Looked After Children budget and Cabinet agreed to receive further detailed reports on this issue. Consideration will be given (in consultation with the Cabinet Member for Finance) to reporting more detail on a routine basis.
	Consideration should be given as to how best to align financial reporting to Cabinet in respect of the HRA with the approach adopted for other service areas	Treasurer	December 2013	Separate HRA reports reflect the HRA ring-fence and the nature of the decisions that Cabinet are required to make (e.g. rent-setting and investment in the housing stock). This approach will be reconsidered (in consultation with the Cabinet Member for Finance).
	Consideration should be given to expanding capital programme monitoring reports to Cabinet so that they provide an update on progress on the most significant capital schemes, both in terms of project completion against timescale and spend against budget	Treasurer	December 2013	Consideration will be given (in consultation with the Cabinet Member for Finance) to including additional progress reporting on large projects.

Executive Summary

Area of review	Key points for consideration	Responsibility	Timescale	Management response
	Consideration should be given to reporting key financial data, such as debtor collection rates and speed of payment of suppliers, to Cabinet on a regular basis	Treasurer	December 2013	Consideration will be given (in consultation with the Cabinet Member for Finance) to including this additional information.
	Consideration should be given to including an update of the overall capital financing position in capital programme monitoring reports to Cabinet	Treasurer	December 2013	Consideration will be given (in consultation with the Cabinet Member for Finance) to including this additional information
Financial Control	Consideration should be given to reporting progress on savings programmes to Cabinet during the financial year, highlighting any significant expected under or over delivery	Treasurer	December 2013	This information is currently reported on an exception basis. Consideration will be given (in consultation with the Cabinet Member for Finance) to reporting on a routine basis.
	Consideration should be given to expanding the year-end outturn report to detail what savings were actually made against each proposed savings programme and to explain any significant under or over delivery	Treasurer	December 2013	Year end outturn reports include explanations for over and under-spending. Consideration will be given (in consultation with the Cabinet Member for Finance) to providing these explanations at a greater level of detail.

1 Executive Summary

2 Key Indicators

3 Strategic Financial Planning

4 Financial Governance

5 Financial Control

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:

St Helens Metropolitan BC
Walsall Metropolitan BC
Stockton-on-Tees Borough Council
Tameside Metropolitan BC
Calderdale Metropolitan BC
Bolton Metropolitan Borough Council
Coventry City Council
City of Wakefield Metropolitan District Council
Derby City Council
Stoke on Trent City Council
Wigan Council
Kirklees Metropolitan Council
Darlington Borough Council
Doncaster Metropolitan Borough Council
Rotherham Metropolitan Borough Council





Key Indicators

Overview of performance

Area of focus	Summary observations	Assessment
Liquidity	<ul style="list-style-type: none">• The working capital ratio indicates whether a council has enough current assets to cover its immediate liabilities. The Council's working capital ratio was 0.35 at 31 March 2013, an increase on 2011/12 of 0.23 but still very low when compared to the Audit Commission Nearest Neighbour Benchmark Group for liquidity (see page 27). However, the Council is not experiencing any difficulties in meeting its liabilities so there is no evidence that the low working capital ratio is currently having a detrimental effect on the Council's finances• The Council's council tax collection rate for 2012/13 was 98.0% (slightly down on 98.2% for 2011/12) compared to the average of 96.2% for metropolitan districts in England. The Council also has the third highest collection rate in the West Midlands• The Council's business rates collection rate for 2012/13 was 97.2% (down slightly from 97.3% for 2011/12) compared to the average of 96.7% for metropolitan districts in England. The Council has the third highest collection rate in the West Midlands	 Green
Borrowing	<ul style="list-style-type: none">• The Council's borrowing was £542m at year end (excluding ex-West Midlands County Council debt for which Dudley Council is the administering authority). Nearly all of this debt is long term. This is in line with the Council's Treasury Management Strategy• According to the Audit Commission Nearest Neighbour Benchmark data for 2011/12, the Council shows very high borrowing levels for the Nearest Neighbour Benchmark Group. However, this is a reflection of the fact that the Council holds ex-West Midlands County Council debt on its balance sheet and that it also had to borrow £335m in 2011/12 as part of the establishment of HRA self-financing arrangements• The Council's actual external debt is well within the operational boundary and authorised limit and there are no indications that these limits will be breached in the medium term.	 Green

Key Indicators

Overview of performance

Area of focus	Summary observations	Assessment
Workforce	<ul style="list-style-type: none"> The Council's sickness levels have been improving in recent years, although they were still above the average for the local government, public and private sectors. However, in 2012/13 sickness levels have risen to 10.63 days per FTE. This is the highest level since 2006/07. The average sickness level for local government in 2011/12 was 8 days per FTE (see page 32). The Council introduced a new Absence Management Policy in May 2013 which it expects to result in decreasing levels of sickness absence 	 Amber
Performance Against Budgets: revenue & capital	<ul style="list-style-type: none"> The Council's performance against the revenue budget is strong. No overspends have occurred in the last three years and underspends have not been significant. The underspend at the 2012/13 year end was £1.697m against a revised budget of £232.8m, enabling a transfer to reserves 6.9% of the capital budget was slipped or rephased into following years but there were no over or underspends of any significance on the remaining capital budget 	 Green
Reserve Balances	<ul style="list-style-type: none"> The Council's usable reserves are lower than most of its comparator group. This is due to the Council having lower earmarked reserves than many of these other authorities. The Council's General Fund reserves, which have been increasing in recent years, are around the average for this group of authorities. General Fund reserves were £19.4m at 31 March 2013 (up from £12.2m a year earlier). These increasing reserves will be available to help the Council to manage the effect of on-going cuts to Central Government funding 	 Green
Schools Balances	<ul style="list-style-type: none"> Dudley's school balances are amongst the highest for comparable authorities and the level of schools reserves has been increasing significantly. In 2010/11 they totalled £14.7m and in 2011/12 it was £20.1m, although they have fallen back slightly to £19.9m at 31 March 2013. Dudley's schools balances are higher than comparable authorities because they have been encouraged to keep reserves in respect of equal pay claims that they may need to settle. This totalled around £6m of total school balances as at 31 March 2013. The Council expects these equal pay claims to be settled within the next 12 months which will result in the school balances reducing significantly by 31 March 2014. If these equal pay reserves are excluded then the school balances fall by around 30% and are then around the average for comparable authorities 	 Amber

1 Executive Summary

2 Key Indicators

3 Strategic Financial Planning

4 Financial Governance

5 Financial Control

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 MTFS	<ul style="list-style-type: none">• The Council has an MTFS which is updated to reflect the changing economic climate. There are regular updates to reflect changes and these are reported to Cabinet. The MTFS is closely linked to the corporate objectives. The current MTFS covers the period up to 2015/16• The current MTFS has identified £58m of savings over the next three years. Almost two thirds of these savings are to be made by the Directorate of Adult, Community and Housing and the Directorate of Children's Services• The Council carried out a large public consultation to inform its budget setting process, supported by detailed consultation with groups identified as being potentially affected by the specific savings proposals, with a particular emphasis on equality issues.	 Green
Adequacy of planning assumptions	<ul style="list-style-type: none">• The MTFS makes key planning assumptions in respect of income-generating activities, inflation and managing assets effectively to help deliver strategic priorities and service need• The assumptions in the MTFS are regularly updated as new information becomes available• The Council has assessed its strategic priorities and effectiveness of current priorities.	 Green
Scope of the MTFP and links to annual planning	<ul style="list-style-type: none">• The MTFS links to other Council plans, corporate objectives and the budget planning process. The proposals in the MTFS and the budget for 2013/14 are adequately reflected in the Capital Strategy and HR Strategy and vice versa.	 Green

Strategic Financial Planning

Medium Term Financial Strategy

Area of focus	Summary observations	Assessment
Review processes	<ul style="list-style-type: none">• The Council updates its MTFS on an annual basis to reflect changing events and circumstances, such as changing assumptions in respect of pay and prices and changes in grant funding arrangements• The Council holds a series of Budget Summits throughout the year, involving Cabinet members and chief officers, where alternative spending plans are considered prior to Cabinet recommending the budget and council tax to Full Council• Savings plans are monitored and managed throughout the year and reported to Cabinet.	 Green
Responsiveness of the Plan	<ul style="list-style-type: none">• As part of the process for drawing up the MTFS, the Council considers best and worst case scenarios for key areas such as grant funding, Council Tax income, local business rate income, inflation and interest rates• The Council regularly reviews the assumptions made in the MTFS and models the impact of changing assumptions on service provision• The Council has been challenging delivery methods and seeking alternative ways of delivering services such as remodelling of services to people with a learning disability which will see more people supported in community based settings.	 Green

1 Executive Summary

2 Key Indicators

3 Strategic Financial Planning

4 Financial Governance

5 Financial Control

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	<ul style="list-style-type: none">• Senior officers, in particular the Treasurer, regularly update members on financial matters• The Council's approach to risk management is well developed and embedded throughout the organisation• The Annual Governance Statement outlines actions taken and those needed to address current concerns. This is underpinned by the risk management culture of the organisation• The Audit and Standards Committee provides scrutiny of the Council's governance arrangements• Financial management responsibilities are clearly set out in the 'Financial Management Regime' which forms part of the Council's Constitution.	 Green
Executive and Member Engagement	<ul style="list-style-type: none">• Minuted meetings provide evidence that executive and members are given the opportunity to scrutinise and challenge the financial environment and are equipped with the skills to do so• The 'Budget Summit' process enables Cabinet members to challenge existing budgets and scrutinise pressures and savings• Public consultation takes place on all spending proposals• The Treasurer forms part of the leadership team.	 Green
Overview for controls over key cost categories	<ul style="list-style-type: none">• Effective monitoring of unit costs is enabled through the budget monitoring process and budgets are formally assigned• There is a process in place for reporting progress against revenue and capital budgets to Cabinet.	 Green

Financial Governance

Understanding and engagement

Area of focus	Summary observations	Assessment
Budget reporting: revenue and capital	<ul style="list-style-type: none">Financial reporting processes are robust. However, the in-year revenue budgetary position was only reported to the Cabinet twice in 2012/13 and seven months of the financial year elapsed before the position against the revenue budget was first reported to CabinetThe level of detail in the financial reporting to Cabinet is quite brief. Key financial issues for the Council are reported, for example, but performance against budget for each directorate is not. A greater level of detail is provided to Cabinet in respect of the HRA than for other service areas but we have not identified any particular reasons for thisThere is frequent reporting to the Cabinet in respect of the capital programme. However, the reports do not set out progress on the most significant capital schemes, either in terms of project completion or spend against budget.	 Amber
Adequacy of other Committee/Cabinet Reporting	<ul style="list-style-type: none">Financial reporting to Cabinet is clear and concise. However, there is scope to make improvements in respect of the quality of financial reporting. Key financial data, such as debtor collection rates and speed of payment of suppliers, for example are not reported to Cabinet on a regular basis. Capital programme monitoring reports also do not include an update of the overall capital financing position.	 Amber

1 Executive Summary

2 Key Indicators

3 Strategic Financial Planning

4 Financial Governance

5 Financial Control

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	<ul style="list-style-type: none">• The Council has sound processes in place for budget preparation and sets reliable, achievable budgets• The 'Budget Summit' process enables alternative options to be considered before the final budget is agreed and approved• Sound processes are in place for re-forecasting and monitoring budgets during the year• Cash is being managed appropriately in terms of market conditions and counterparty and interest rate risks.	 Green
Performance against Savings Plans	<ul style="list-style-type: none">• The Council has sound processes in place to prepare the annual savings programme• The Council has a strong history of delivering its savings plans and underspent its 2012/13 revenue budget by £1,697m• There is scope to improve the quality of reporting to Cabinet in respect of the savings programme. Progress on delivering each savings programme is not reported to Cabinet during the financial year, nor is any significant expected under or over delivery highlighted. The year-end outturn report does not detail what savings were actually made against each proposed savings programme nor does it explain any significant under or over delivery.	 Amber
Key Financial Accounting Systems	<ul style="list-style-type: none">• The key finance system used is Agresso. The financial statements and the Council's internal management accounts reconcile which ensures both internal and external information is reported consistently• Audit Services reviews of critical financial systems over the last year have not identified any significant weaknesses.	 Green

Financial Control

Internal and external assurances

Area of focus	Summary observations	Assessment
Finance Department Resourcing	<ul style="list-style-type: none">The Finance Department has long serving experienced members of staff and has obtained strong feedback from service users.	 Green
Internal audit arrangements	<ul style="list-style-type: none">Audit Services continue to provide an independent service to the Council and we can take assurance from its work in contributing to an effective internal control environment at the Council.Audit Services annual plan is approved by the Audit and Standards Committee annually. Status updates are presented to the Audit and Standards Committee and management regularly.	 Green
External audit arrangements	<ul style="list-style-type: none">No recommendations were made in the last Annual Audit Letter (October 2012) in respect of financial resilience.	 Green
Assurance framework/risk management	<ul style="list-style-type: none">The Council has a sound risk management framework in place, with risks being mapped to corporate objectives, allocated to a named senior officer and RAG ratedThe size and number of risks reported are pitched appropriately to allow the Cabinet to keep the main risks under adequate review.	 Green

1 Executive Summary

2 Key Indicators

3 Strategic Financial Planning

4 Financial Governance

5 Financial Control

Appendix - Key indicators of financial performance

Key Indicators of Financial Performance

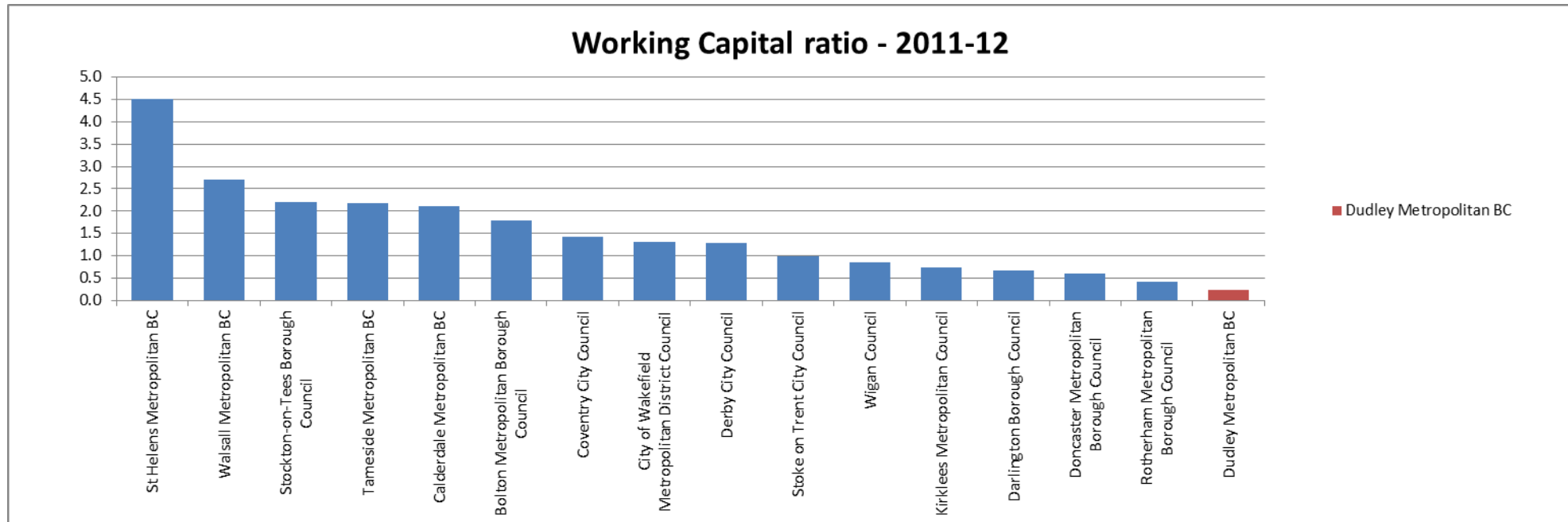
Working Capital - Benchmarked

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 assets to liabilities of 2:1 is usually considered to be acceptable, whilst 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 is very low when compared to the Audit Commission Nearest Neighbour Benchmark Group. However, the Council are not experiencing any difficulties in meeting their liabilities so there is no evidence that their low working capital ratio is having a detrimental effect on the Council's finances



Key Indicators of Financial Performance

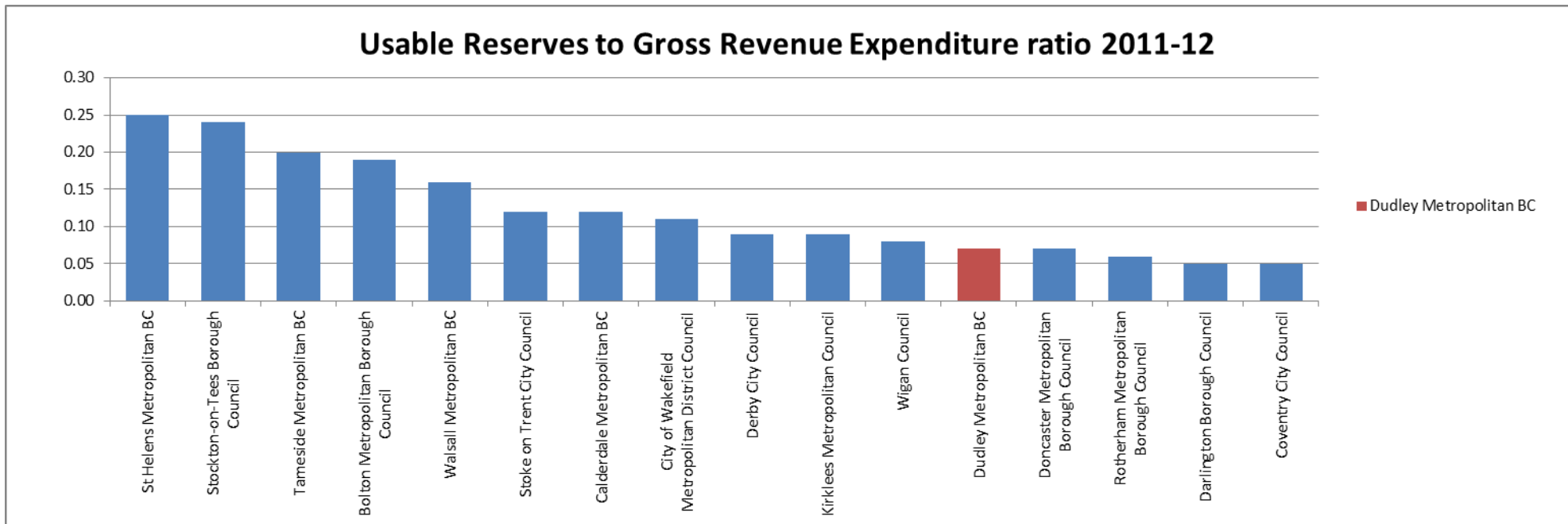
Useable Reserves - Benchmarked

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 usable reserves are lower than most of its comparator group. However, this is due to the Council having lower earmarked reserves than other authorities. Its General Fund reserves, which have been increasing in recent years, are around the average for this group of authorities



Source: Audit Commission's Technical Directory

Key Indicators of Financial Performance

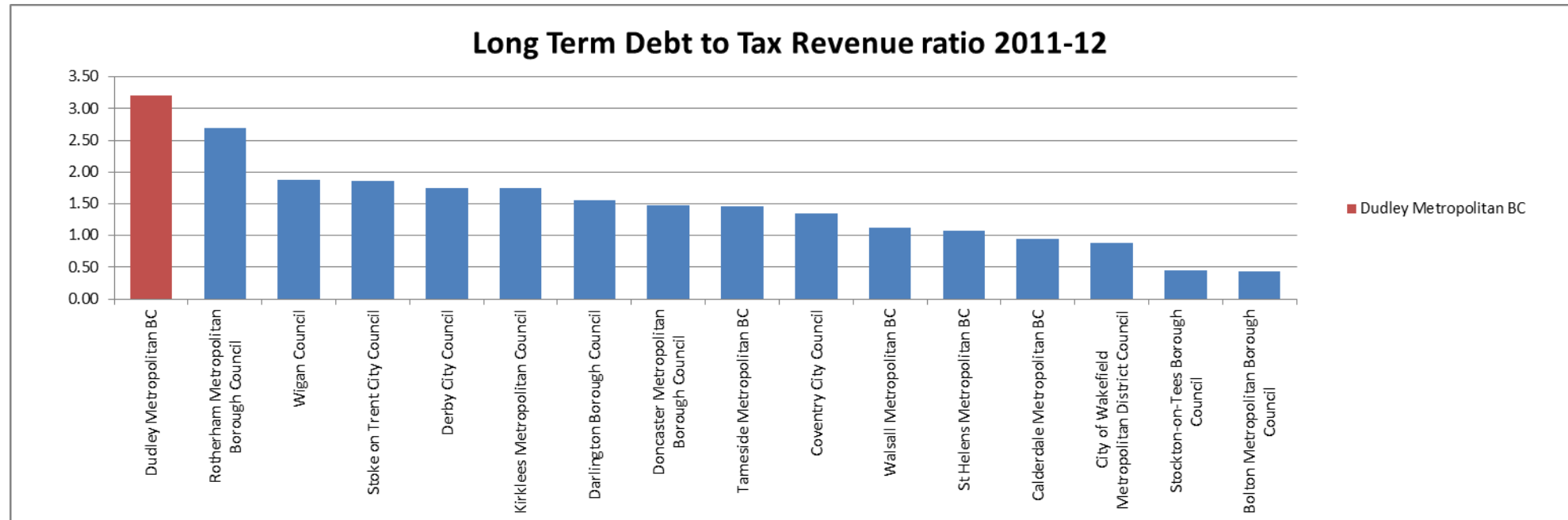
Long Term Borrowing to Tax Revenue - Benchmarked

Definition

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

Findings

The Council's long term borrowing is over 3 times higher than its incoming resources. This is the highest ratio of its comparator group. However, these figures are affected by the inclusion of Ex-West Midlands County Council debt which the Council is responsible for administering and which is held on their balance sheet. If this debt is excluded, the Council's long term debt is still very high in comparison to other local authorities but this is a reflection of the fact that the Council had to borrow £335m in 2011/12 as part of the HRA self-financing arrangements. Without this additional borrowing, the Council's total borrowing and borrowing to tax revenue ratio would be below the average for the comparator group.



Key Indicators of Financial Performance

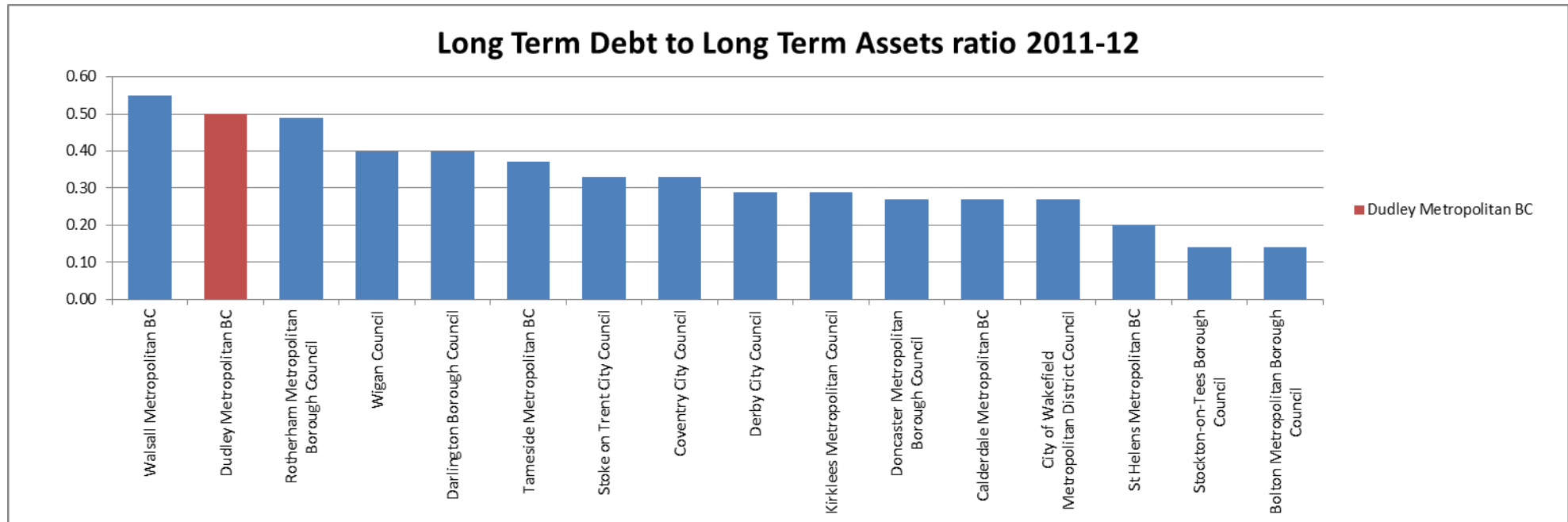
Long-term borrowing to Long-term assets - Benchmarked

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

DMBC's long term debt to long term assets ratio is 0.5. This is the second highest ratio of its comparator group. However, these figures are affected by the inclusion of Ex-West Midlands County Council debt which the Council is responsible for administering and which is held on their balance sheet. If this debt is excluded then the Council's long term debt to long term assets ratio falls to 0.37 which is just above the average for the comparator group.



Key Indicators of Financial Performance

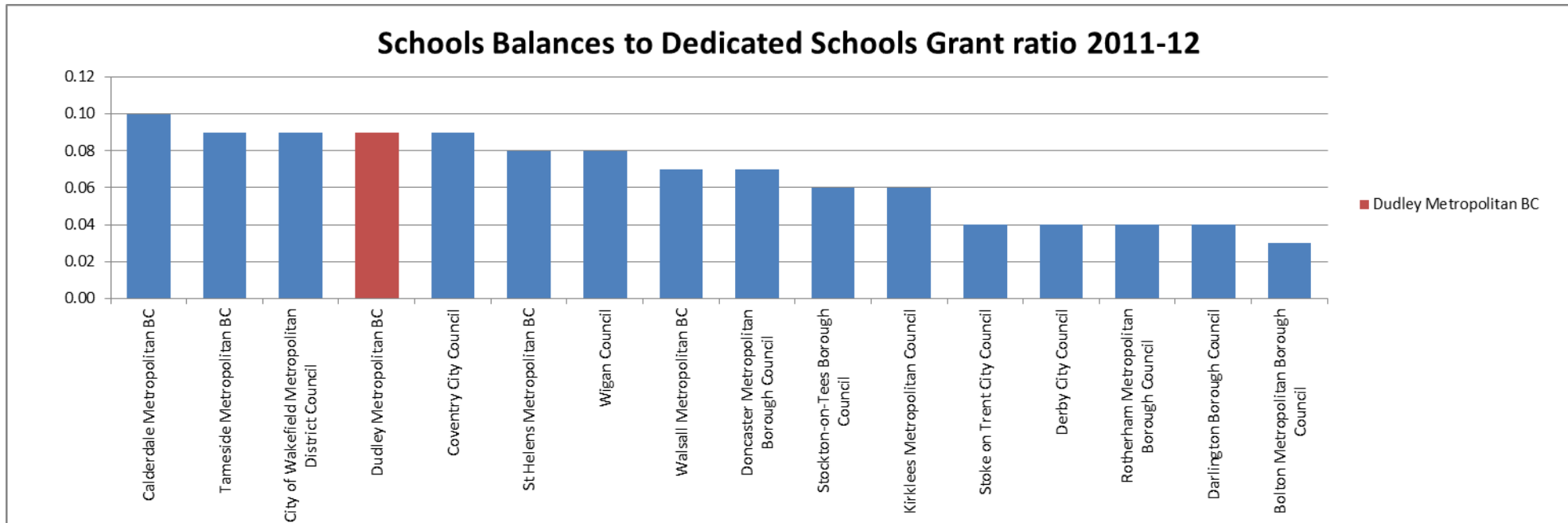
Schools balances to DSG allocation - Benchmarked

Definition

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

Findings

Dudley's school balances are amongst the highest for comparable authorities. The level of schools reserves have been increasing significantly. In 2010/11 they totalled £14.7m and in 2011/12 it was £20.1m, though they have fallen back slightly to £19.9m at 31 March 2013. Dudley's schools balances are higher than comparable authorities because they have been encouraged to keep reserves in respect of equal pay claims that they may need to settle. This totalled around £6m of total school balances as at 31 March 2013. The Council expects these equal pay claims to be settled within the next 12 months and so expects the school balances figure to reduce significantly at 31/3/14. If these equal pay reserves are ignored then Dudley's school balances fall by around 30% and are then around the average for comparable authorities



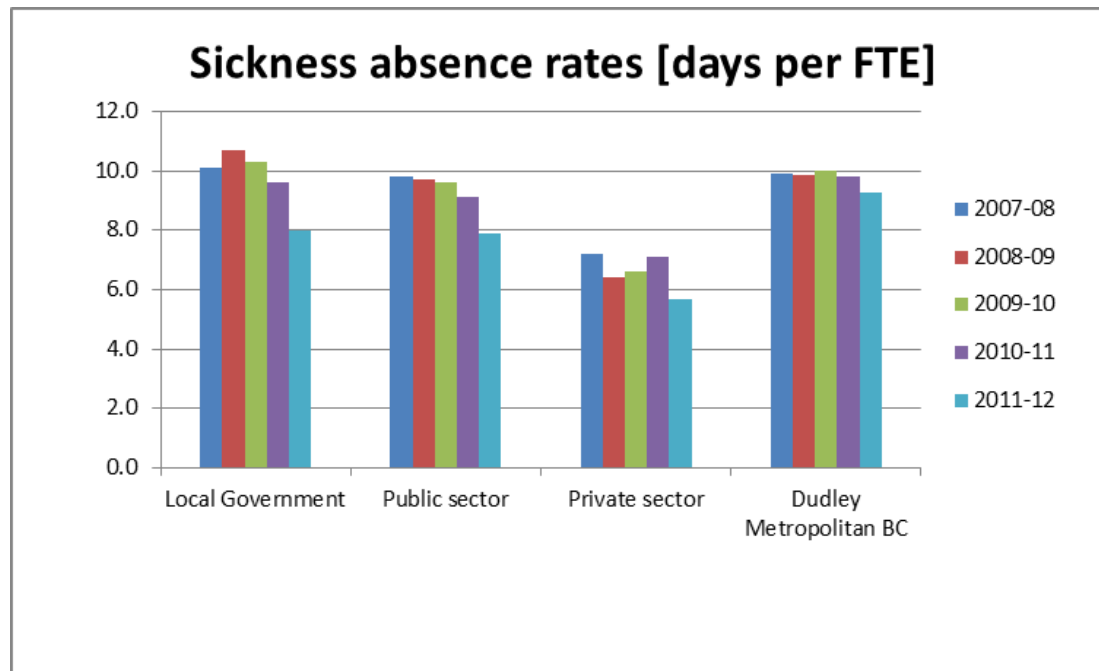
Key Indicators of Financial Performance

Sickness Absence Levels

Background

The average sickness absence level for local government is 8 days per FTE, whilst the public and private sector averages are 7.9 and 5.7 days respectively.

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

From 2007/08 to 2009/10 the Council's sickness levels were above the average for the public and private sectors but below the local government average. From 2010/11 the Council's sickness levels have also risen above the average for local government. The Council's absence rates were improving, albeit not as quickly as the overall local government and public sectors. However, in 2012/13 sickness levels per FTE have risen to 10.63 days. This is the highest level since 2006/07 and is a reverse against the decreasing trend.

Source: CIPD Annual Survey Reports on Absence Management



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