

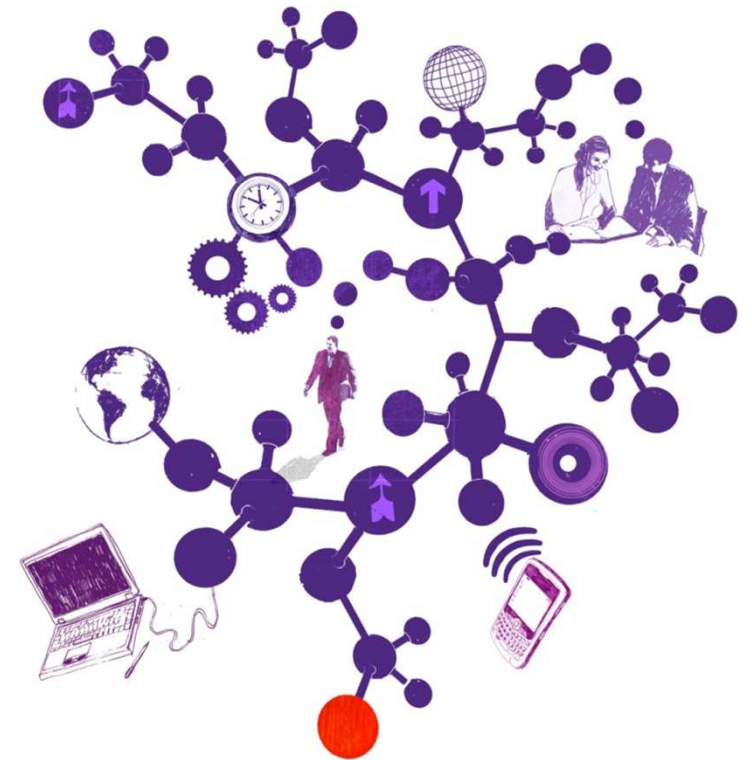
# Review of the Council's Arrangements for Securing Financial Resilience for Tewkesbury Borough Council

Year ended 31 March 2013

September 2013

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Executive Summary

## Our approach

### Value for Money Conclusion

Our work supporting our Value for Money (VfM) conclusion, as part of the statutory external audit, includes a review to determine if the Council has proper arrangements in place for securing financial resilience.

In so doing we have considered whether the Council has robust financial systems and processes in place to manage its financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future. We have carried out our work in discussion and agreement with officers and completed it in such a way as to minimise disruption to them.

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

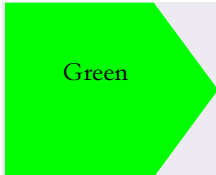
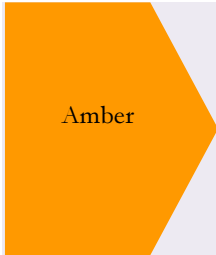
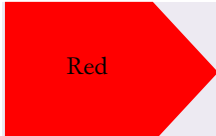
We have reviewed the financial resilience of the Council by looking at:

- Key indicators of financial performance;
- Its approach to strategic financial planning;
- Its approach to financial governance; and
- Its approach to financial control.

Further detail on each of these areas is provided in the sections of the report that follow.

Our overall conclusion is that the Council has adequate arrangement in place to secure financial resilience.

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

 Green	<b>Arrangements meet or exceed adequate standards.</b> Adequate arrangements identified and key characteristics of good practice appear to be in place.
 Amber	<b>Potential risks and/or weaknesses.</b> 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	<b>High risk:</b> The Council's arrangements are generally inadequate or may have a high risk of not succeeding

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# Executive Summary

## National and Local Context

### National Context

The Chancellor of the Exchequer announced the current Spending Review (SR10) to Parliament on 20 October 2010. SR10 represented the largest reductions in public spending since the 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 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% 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

Tewkesbury Borough Council (the Council) is a district council located in the north of Gloucestershire. It has a population of 81,700, as at June 2010. The Council headquarters are based in Tewkesbury.

# Executive Summary

## Overview of Arrangements

Risk area	Summary observations	High level risk assessment
<b>Key Indicators of Performance</b>	<p>In comparison to the Audit Commission's nearest neighbours, the Council is broadly in line and generally consistent with the trends indicated by other councils. The Council has maintained its current level of reserves. In addition the Council does not have any long term debt.</p> <p>However, in both 2011/12 and 2012/13 Council reported a revenue overspend against its budget. Both overspends were as a result of savings targets not being achieved as planned. For 2012/13 this overspend was in the region of £300,000. Capital spend was also 28% below planned. Although we note that a large proportion of the capital programme relates to grants to third parties which limits the extent of control the Council has over this expenditure.</p> <p>Whilst the sickness absence rate has seen an overall downward trend over the past few year, the recorded absence rate remains above the Council internal target for 2012/13.</p>	 <b>Amber</b>
<b>Strategic Financial Planning</b>	<p>The Council has adequate arrangements in place to plan its finances over the next five years. The Medium Term Financial Plan (MTFP) is updated annually and was approved by Full Council in January 2013. The MTFS forms the basis of the 2012/13 budget which was agreed following discussion by the budget working group, Executive and Full Council in February 2013.</p>	 <b>Green</b>
<b>Financial Governance</b>	<p>The Council has adequate arrangements in place to ensure understanding of the financial environment with appropriate engagement from stakeholders and Members.</p> <p>There are appropriate financial governance and monitoring arrangements in place at Member and officer level with quarterly performance management reports being presented to Members.</p>	 <b>Green</b>
<b>Financial Control</b>	<p>For 2012/13 the Council reported a deficit of £300,000 for the second consecutive year, as a result of underperformance against its savings targets.</p> <p>In addition in order to ensure effective internal controls are in place management need to ensure Internal Audit is compliant with the Public Sector Internal Auditor Standards and that the Council has effective risk management arrangements in place. We identified that following the introduction of the risk management Strategy in November 2012 the new Risk Registers had not been reviewed by the Overview and Scrutiny Committee.</p>	 <b>Amber</b>

# Executive Summary

## Next Steps

Area of review	Key points for consideration	Responsibility	Timescale	Management response
<b>Key Indicators of Performance</b>	The Council has reported a deficit against budget for the last two years and not achieved its savings plans.	Corporate Leadership Team	March 2014	Corporate Leadership Team (CLT) have appointed a sponsor and lead officer for the annual savings plan who will monitor and report progress on the delivery of the savings plan throughout the year to both CLT and the Budget Working Group. The overall performance of the budget will continue to be monitored and reported to members through the quarterly performance monitoring report to both Overview and Scrutiny Committee and Executive Committee. The content of the reporting will be reviewed with the intention to expand and enhance the information provided. CLT will consider the position of the savings plan and overall budget and if necessary recommend corrective action in order to deliver the budget within the parameters outlined in the Medium Term Financial Strategy. Corrective action has been taken in previous years in order to mitigate deficits within savings plans and has included reducing expenditure, freezing posts and the use of reserves.
	Reduce the Council's overall sickness absence rate.	Group Manager - Business Transformation	March 2014	A new Absence Management Policy was approved by Members in 2012 and became effective from October 2012. The new policy allows management to intervene at an earlier stage by reducing the absence management triggers and has been updated to reflect fit note rules. In addition a number of long term absence cases have been concluded in the last six months. As a result, the quarter one outturn for 2013/14 shows an absence rate of 1.78 days which is therefore on course to deliver the council target of 7.5 days.



# Executive Summary

## Next Steps

Area of review	Key points for consideration	Responsibility	Timescale	Management response
<b>Strategic Financial Planning</b>	Develop detailed scenario planning to support the MTFS.	Group Manager - Finance & Asset Management	February 2014	The council's Medium Term Financial Projection model enables the running of numerous different scenarios dependent on internal and external factors. This model will continue to be used to support management and the Budget Working Group in the deliberations over future years budgets. Examples of best practice will be sought in order to further improve the model and the involvement of Group Managers within the budget planning process will provide for more detailed and accurate service and corporate information in order to make the model as robust as possible.
	Consider introducing public consultation on the 2014/15 budget.	Group Manager - Finance & Asset Management	December 2013	Consultation will take place on the 2014/15 budget and options are currently being considered for delivering this.
<b>Financial Governance</b>	Improve reporting on capital spend so that the level of slippage can be easily identified.	Group Manager - Finance & Asset Management	February 2014	Improvements to the estimate of the forthcoming years capital programme, which accompanies the formal budget report, will be made for the 2014/15 year and will include more accurate forecasting of the likely profile of capital expenditure over the forthcoming period. This will include an estimate based on quarterly profile rather than just a full year and more realistic estimates of expenditure profiles for the capital grants programme, which is subject to draw down from third parties and is effectively outside of the council's control and which forms the majority of the council's capital programme. The current year programme will also be reviewed in order to re-profile it and the quarterly report to members for quarter 3 onwards will be updated to reflect this and to clearly show progression of the capital programme against plan.

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# Executive Summary

## Next Steps

Area of review	Key points for consideration	Responsibility	Timescale	Management response
<b>Financial Control</b>	Progress against specific savings plans should be reported and monitored by the Corporate Leadership Team and Members.	Group Manager - Finance & Asset Management	October 2014	Corporate Leadership Team (CLT) have appointed a sponsor and lead officer for the annual savings plan who will monitor and report progress on the delivery of the savings plan throughout the year to both CLT and the Budget Working Group. A RAG status and narrative will be added to the report to aid the explanation of the current position in delivering the programme. The report will help inform the council's overall budget monitoring statement.
	Review the capacity within the finance function and consider how the risk posed by staff absence could be reduced.	Group Manager - Finance & Asset Management	March 2014	The new structure for the finance team was approved as part of the Organisational Review. Whilst small in number, the team possess the necessary skills and abilities to provide a good service to the council. Further work is being undertaken to use Information Technology more effectively in order to provide greater capacity within the team. The grouping of Finance and Asset Management may provide opportunities for the sharing of workloads and the use of resources more effectively. The service will also be subject to the Business Transformation Strategy as it emerges and will be open to opportunities to raise its resilience, efficiency and effectiveness.

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# Executive Summary

## Next Steps

Area of review	Key points for consideration	Responsibility	Timescale	Management response
<b>Financial Control</b>	Ensure Internal Audit is compliant with the Public Sector Internal Auditor Standards	Group Manager - Policy & Performance	March 2014	Internal Audit have previously been compliant with the CIPFA Code of Practice for Internal Audit (2006). With effect from 1 April 2013, The Relevant Internal Audit Standard Setters (RIASS) have adopted a common set of Public Sector Internal Audit Standards (PSIAS). A seminar on PSIAS was held for the Audit Committee on 1 February 2013. Since the seminar, a 43 page checklist to evidence compliance with PSIAS has been issued. This has been circulated to the Audit Committee for reference purposes. The Internal Audit team are working their way through the checklist and this outcome will support the annual review of the effectiveness of IA which will be reported to Audit Committee in June 2014.
	The Council should ensure effective risk management arrangements are in place, the new Risk Registers should be reviewed and challenged by Members.	Corporate Governance Group	November 2013	Although risks have not been formally reported during the course of the year the consideration of risk forms part of normal council business. For example, all the council's key projects are supported with a project risk register and the delivery of those projects have been monitored through the internal Project Programme Board. Additionally, the majority of those projects have had some form of Member input, for example Member Working Groups have been set up to support the Organisational Review project and the Office Refurbishment projects. Dialogue at these groups naturally leads to discussing the risks associated with the successful delivery of those projects. The Performance Management Framework also provides transparency and accountability as to whether Council Plan actions are being delivered or not. For example, the Council Plan Performance Tracker is reported to both Overview and Scrutiny Committee and Executive Committee and flags any issues relating to the successful attainment of the council's priorities. All committee reports also include a risk management box that should provide a high level summary of risks relating to the subject of the report. The new management team recognise the importance of demonstrating that corporate risks are identified, evaluated and mitigated. A management team session is planned for early October with the objective to produce a corporate risk register. This will be reported as part of the quarter 2 performance management information.

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# Key Indicators

## Introduction

This section of the report includes analysis of key indicators of financial performance, benchmarked where this data is available. These indicators include:




- Working capital ratio
- Long term borrowing to tax revenue
- Long term borrowing to long term assets
- Sickness absence levels
- Out-turn against budget
- Useable Reserves: Gross Revenue Expenditure
- Schools Reserves - Balances to DSG allocations

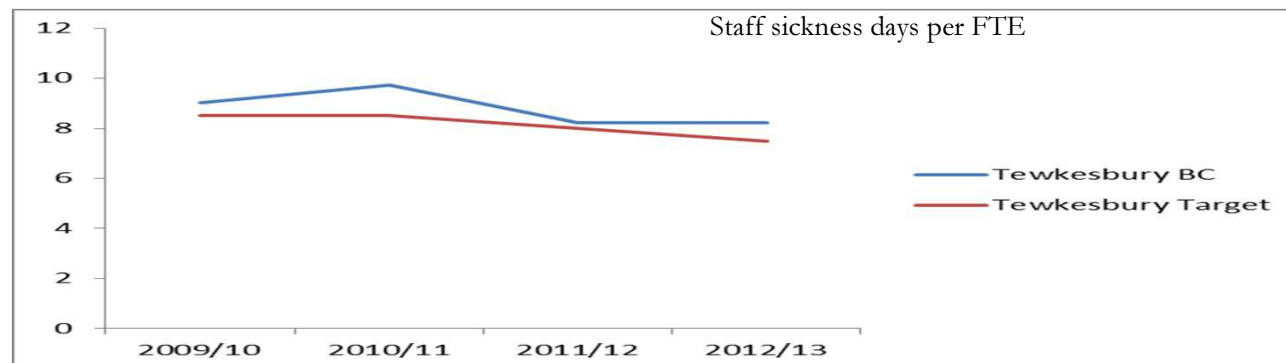
We have used the Audit Commission's nearest neighbours benchmarking group comprising the following authorities:

- Babergh District Council
- Craven district Council
- Derbyshire Dales District Council
- East Cambridgeshire District Council
- Forest of Dean District Council
- Hambleton District Council
- Lichfield District Council
- Melton Borough Council
- Malvern Hills District Council
- Maldon District Council
- Mid Devon District Council
- Mid Suffolk District Council
- Stroud District Council
- Rushcliffe Borough Council
- Wychavon District Council

# Key Indicators



## Overview of performance

Area of focus	Summary observations	Assessment
<b>Liquidity</b>	<p>The Council's working capital ratio for 2011/12 was 6.87:1 indicating that it has sufficient assets to cover its immediate liabilities. There has been a large fall compared to the level in 2010/11, but the value remains in line with the levels for the rest of the last 5 years. The 2011/12 level was the 3<sup>rd</sup> highest in the neighbour group, which as a whole has high working capital levels, with only one council falling below 1.</p> <p>Council tax and national non-domestic (NNDR) collection rates remain high at 98.1% and 99.7%. Although these rates are below the Council's agreed income collection targets.</p>	 <b>Green</b>
<b>Borrowing</b>	<p>The Council has no long term borrowing.</p>	 <b>Green</b>
<b>Workforce</b>	<p>The Council current average sickness absence rate for 2012/13 was 9.03 days per FTE. This is above the internal target of 7.5 days per FTE. The Council has seen an overall decrease since in its sickness rate, other than in 2011/12 when the level increased, as a result of longterm sickness.</p> <p>Staff turnover has reduced each year from 2010/11 at 15.25%, to 2012/13 at 8.77%.</p>	 <b>Amber</b>



# Key Indicators

## Overview of performance

Area of focus	Summary observations	Assessment												
<p><b>Performance Against Budgets: revenue &amp; capital</b></p>	<p>Revenue</p> <p>In both 2011/12 and 2012/13 Council reported a revenue overspend against its budget. Both overspends were as a result of the savings targets not being achieved as planned.</p> <table border="1" data-bbox="349 687 1751 911"> <thead> <tr> <th></th> <th>Budget £m</th> <th>Actual £m</th> <th>Variance Over Budget £m</th> </tr> </thead> <tbody> <tr> <td>2011/12</td> <td>7.521</td> <td>7.937</td> <td>0.416</td> </tr> <tr> <td>2012/13</td> <td>7.734</td> <td>8.035</td> <td>0.301</td> </tr> </tbody> </table> <p>Capital</p> <p>The Council had a capital programme of £1.795m for 2012/13, spending £1.29m by the year end. The slippage was 28% of the total planned spend. Although we recognise that a large proportion of the capital programme is in relation to third parties and therefore the extent of control by the Council is more limited.</p>		Budget £m	Actual £m	Variance Over Budget £m	2011/12	7.521	7.937	0.416	2012/13	7.734	8.035	0.301	 <b>Amber</b>
	Budget £m	Actual £m	Variance Over Budget £m											
2011/12	7.521	7.937	0.416											
2012/13	7.734	8.035	0.301											
<p><b>Reserve Balances</b></p>	<p>The comparative information for useable reserves as set out on page 26 indicates that the amount of capital and revenue reserves as a proportion of expenditure for the last four years up to 2011/12 has remained reasonably constant, showing that the authority has been able to maintain its reserves levels. Also that the Council in comparison to others sits towards the top end of the neighbour group, which is evenly split between those which saw a fall in 2011/12 and those which saw a rise.</p> <p>The Council in 2012/13 has maintained its reserves overall, having set aside earmarked reserves for new business rates.</p>	 <b>Green</b>												

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# Strategic Financial Planning






## Key characteristics of good strategic financial planning

In conducting our review of strategic financial planning we have assessed the Council's performance against the following indicators:

- Focus on achievement of corporate priorities is evident through the financial planning process. The MTFP focuses resources on priorities.
- The MTFP includes outcome measures, scenario planning, benchmarking, resource planning and details on partnership working. Targets have been set for future periods in respect of reserve balances, prudential indicators etc.
- Annual financial plans follow the longer term financial strategy.
- There is regular review of the MTFP and the assumptions made within it. The Council responds to changing circumstances and manages its financial risks.
- The Council has performed stress testing on its model using a range of economic assumptions including CSR.
- The MTFP is linked to and is consistent with other key strategies, including workforce.
- KPIs can be derived for future periods from the information included within the MTFP.

# Strategic Financial Planning

## Medium Term Financial Strategy

Area of focus	Summary observations	Assessment
<b>Focus of the MTFS</b>	<p>The Council's Medium Term Financial Strategy looks at five years 2013/14 to 2017/18 and was agreed by Full Council in January 2013. The Council agreed its 2013/14 budget in February 2013 and froze Council tax for the third consecutive year. The budget had been developed during the year by the budget working group and then discussed by the Executive Committee. This process ensures cross party involvement in developing the budget and enables agreement to be reached by Full Council in an efficient and effective manner.</p>	 <b>Green</b>
<b>Adequacy of planning assumptions</b>	<p>The MTFP and 2013/14 budget include a range of assumptions including the decision to freeze council tax; agreed budget parameters (for example, inflation on pay budgets of 1% for all staff) and the implications of the Local Government Finance Act, namely the implementation of the Business Rates Retention Scheme and replacement of the existing Council Tax benefit system with local Council Tax Support.</p>	 <b>Green</b>
<b>Scope of the MTFS and links to annual planning</b>	<p>The MTFS was agreed prior to agreement of the 2013/14 budget after consideration by the Executive Committee and forms the basis for discussions and agreement of the budget. The MTFP includes the planned savings as well as the revenue and capital projections. However, we note that for 2013/14 the Council agreed not to undertake public consultation on the 2013/14 budget.</p>	 <b>Amber</b>
<b>Review processes</b>	<p>The Council agree and publish an agreed MTFP annually. A supporting analysis and model is kept up to date by Officers.</p>	 <b>Green</b>
<b>Responsiveness of the Plan</b>	<p>As a small authority the Council has a limited range of opportunities available to it. Although we consider the Council may benefit from introducing scenario planning.</p>	 <b>Amber</b>

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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

Area of focus	Summary observations	Assessment
<b>Understanding the Financial Environment</b>	<p>The Council has a Committee structure in place with key decisions made by Full Council. Quarterly information and reports are presented to Overview and Scrutiny Committee, the Chair of which then attends the Executive Committee to present their findings. Monthly informal meetings are also held with the portfolio holder for Finance and Assets. The budget working group also enables members to be involved and enhances their understanding.</p> <p>The Council also has an Audit Committee which meets quarterly.</p>	 <b>Green</b>
<b>Executive and Member Engagement</b>	<p>Engagement of officers is through the Corporate Management Team. Closed meetings are also held with the Corporate Management Team and the Executive Committee, these meetings are considered beneficial to ensure Member understanding and engagement, to enable issues to be discussed and to facilitate agreement of key decisions by Full Council.</p>	 <b>Green</b>
<b>Overview for controls over key cost categories</b>	<p>The Audit Commission VfM profiles do not identify any outliers of concern. We are aware that the Council has used the profiles to compare themselves to other authorities.</p> <p>The Council also intends to compare itself to other authorities in Gloucestershire in 2013/14.</p>	 <b>Green</b>
<b>Budget reporting: revenue and capital</b>	<p>Quarterly performance management reports are presented to the Overview and Scrutiny Committee, and then reviewed by the Executive Committee. These reports include the service delivery plans for each group. The service delivery plans include both financial and performance information. The appendices of these reports include a summary revenue statement and a capital monitoring statement.</p> <p>The service plans enable Members to understand the financial position for each group. Variances greater than £10,000 require an explanation.</p> <p>However, we consider that the capital programme monitoring statement does not clearly identify the current position compared to plan. In addition the version available on the website is not readable by members of the public in its current format.</p>	 <b>Amber</b>
<b>Adequacy of other Committee/ Cabinet Reporting</b>	<p>As noted above the Council has chosen to report all information within service delivery plans and the same information is presented to each committee.</p>	 <b>Green</b>

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# Financial Control

## **Key characteristics of effective financial control**

In conducting our review of financial control we have assessed the Council's performance against the following indicators:

### **Budget setting and budget monitoring**

- Budgets are robust and prepared in a timely fashion.
- Budgets are monitored at an officer, member and Cabinet level and officers are held accountable for budgetary performance.
- Financial forecasting is well-developed and forecasts are subject to regular review.

### **Savings Plans**

- Processes for identifying, delivering and monitoring savings plan schemes are robust, well thought through and effective.

### **Financial Systems**

- Key financial systems have received satisfactory reports from internal and external audit.
- Financial systems are adequate for future needs.

### **Finance Department**




- The capacity and capability of the Finance Department is fit for purpose.

### **Internal Control**

- There is an effective internal audit which has the proper profile within the organisation. Agreed Internal Audit recommendations are routinely implemented in a timely manner.
- There is an assurance framework in place which is used effectively by the Council and business risks are managed and controlled.

# Financial Control





## Internal arrangements

Area of focus	Summary observations	Assessment												
<b>Budget setting and monitoring - revenue and capital</b>	<p>The Council has an agreed process to agree and set the budget. This process was unchanged to previous years and included the cross party budget working group, the Executive Committee prior to approval by the Full Council.</p> <p>The process of budget monitoring is undertaken by the Overview and Scrutiny Committee who make recommendations to the Executive Committee. Both Committees receive the same reports on a quarterly cycle. Performance is also reviewed by the Corporate management Team prior to review by Members.</p>	 <b>Green</b>												
<b>Performance against Savings Plans</b>	<p>In both 2011/12 and 2012/13 the Council has not achieved its savings targets.</p> <table border="1" data-bbox="360 852 1807 1064"> <thead> <tr> <th>Year</th> <th>Plan</th> <th>Actual</th> <th>Variance</th> </tr> </thead> <tbody> <tr> <td>2011/12</td> <td>£1.56m</td> <td>£1.04m</td> <td>£0.52m</td> </tr> <tr> <td>2012/13</td> <td>£0.725</td> <td>£0.134m</td> <td>£0.591</td> </tr> </tbody> </table> <p>The savings plan in 2011/12 was reported to the Corporate Management Team and through monitoring of the budget to Members in the quarterly performance reports. Reporting of performance of the savings plan in 2012/13 was limited after the two main elements, PCT investment and management restructure were withdrawn. Quarterly performance reporting of the budget did continue. We consider that more detailed reporting of the savings plans would be beneficial.</p> <p>Following the approval of the 2013/14 budget, the Council needs to make cumulative savings of £4.187m for the three years 2014/15 to 2016/17. Savings schemes have yet to be identified for £2.5m.</p>	Year	Plan	Actual	Variance	2011/12	£1.56m	£1.04m	£0.52m	2012/13	£0.725	£0.134m	£0.591	 <b>Red</b>
Year	Plan	Actual	Variance											
2011/12	£1.56m	£1.04m	£0.52m											
2012/13	£0.725	£0.134m	£0.591											
<b>Key Financial Accounting Systems</b>	<p>Internal Audit's overall conclusion for 2012/13 is that generally, a satisfactory level of control exists within the overall control environment.</p>	 <b>Green</b>												



# Financial Control

## Internal and external assurances

Area of focus	Summary observations	Assessment
<b>Finance Department Resourcing</b>	<p>Following a number of management restructuring processes within the finance function now has 4FTE's. The skills and capabilities are considered appropriate. However, the small number of staff does have an impact on capacity and increase the risk posed by staff leaving and absence.</p>	 <b>Amber</b>
<b>Internal audit arrangements</b>	<p>The Internal Audit Plan for 2012/13 was developed using a risk based process. In line with the requirements of the Accounts and Audit Regulations 2011, a self assessment of the service against the CIPFA 2006 Code of Practice for Internal Audit in Local Government was completed. This identified that no areas were considered to be of material non-compliance and that Audit documentation and procedures will be reviewed during the course of 2013/14 to ensure compliance with PSIAS.</p>	 <b>Amber</b>
<b>External audit arrangements</b>	<p>In 2011/12 the Council's external auditors, the Audit Commission, concluded that the financial statements gave a true and fair view of the council's financial position and concluded that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p>	 <b>Green</b>
<b>Assurance framework/ risk management</b>	<p>The Council reviewed its approach to risk management following a review by Internal Audit. As a result a new Risk Management Strategy was agreed in November 2012. This Strategy addressed the areas of concern and as a result replaced the corporate risk register and operational risk registers with five Risk Registers.</p> <p>In February 2013 the draft new Risk Registers had been produced and were waiting to be quality assured by the Corporate Management Team and the Corporate Governance Group. As at June 2013 these registers had yet to be agreed and finalised.</p> <p>For five months of the year the Council has not had agreed risk registers in place.</p>	 <b>Amber</b>

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**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

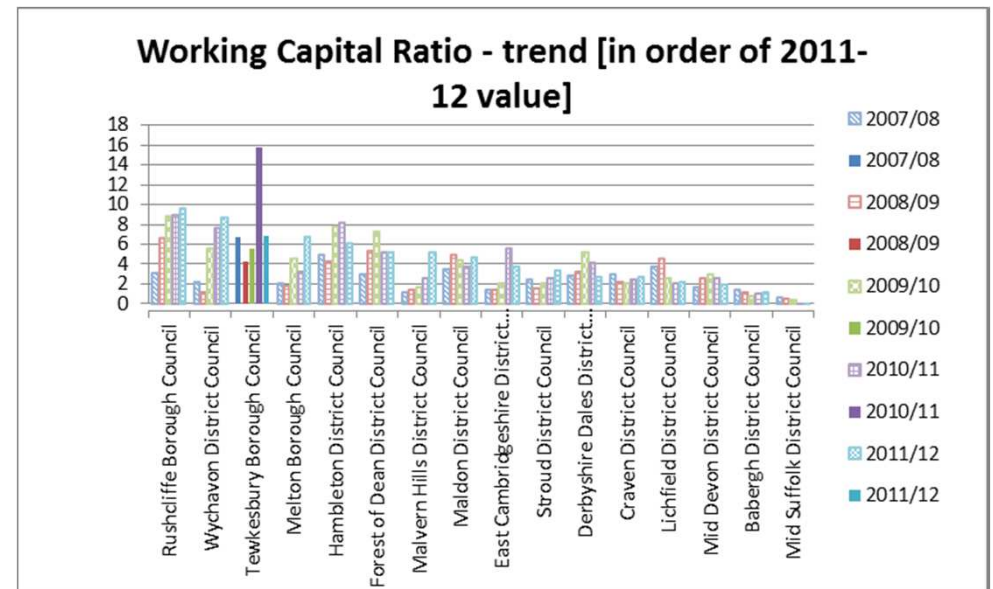
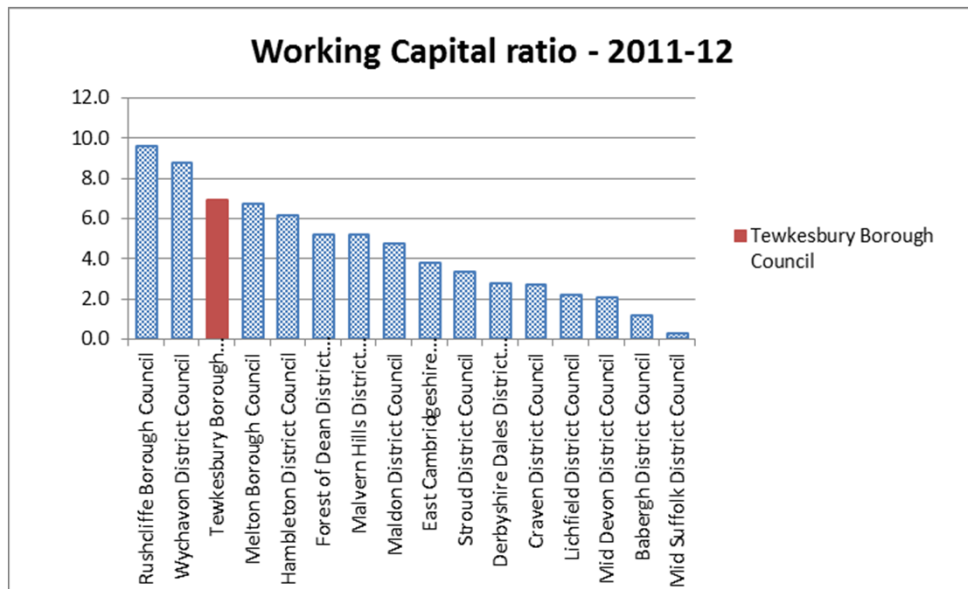
## Working Capital – Benchmarked

### Definition

The working capital ratio indicates if an authority has enough current assets, or resources, to cover its immediate liabilities – ie those to be met over the next twelve months. A ratio of 2:1 is usually considered to be acceptable, whilst a ratio of less than one – ie current liabilities exceed current assets – indicates potential liquidity problems.

### Findings

Tewkesbury's working capital ratio for 2011/12 was 6.87:1 – well above the minimum acceptable level. There has been a large fall compared to the level in 2010/11, but the value remains in line with the levels for the rest of the last 5 years. The 2011/12 level was the 3<sup>rd</sup> highest in the neighbour group, which as a whole has high working capital levels, with only one council falling below 1.



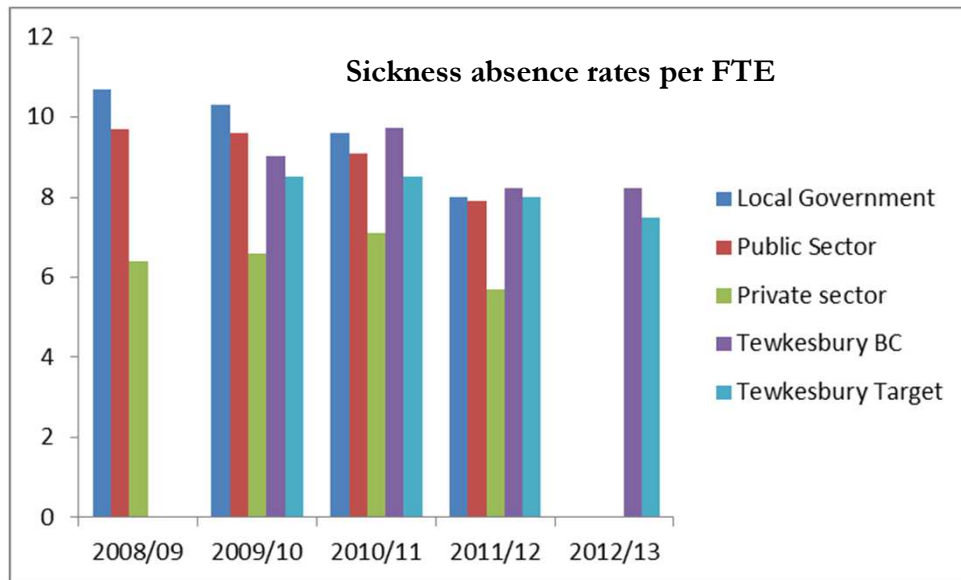
Source: Audit Commission's Technical Directory

# Key Indicators of Financial Performance

## Sickness Absence Levels

### Background

The average sickness absence level for the public sector in 2011/12 was 7.9 days per FTE, whilst the private sector average was 5.7. Many councils have taken a proactive approach to reducing the number of days lost to sickness each year. 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 during SR10, given the context of significant pressures on staff to deliver "more for less".



Source: Tewkesbury Borough Council

### Findings

The Council's sickness absence rates have reduced overall from 2009/10 to 2012/13 but had a sharp rise in 2011/12 due to an increase in longterm sickness.

As a result the Council's sickness absence rates are below target.

# Key Indicators of Financial Performance

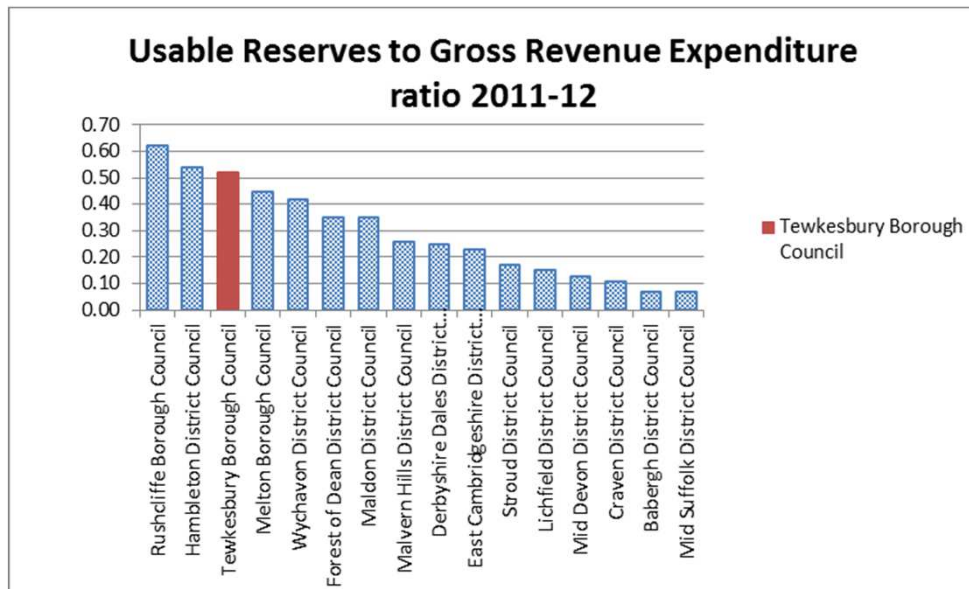
## Useable Reserves – Benchmarked

### Definition

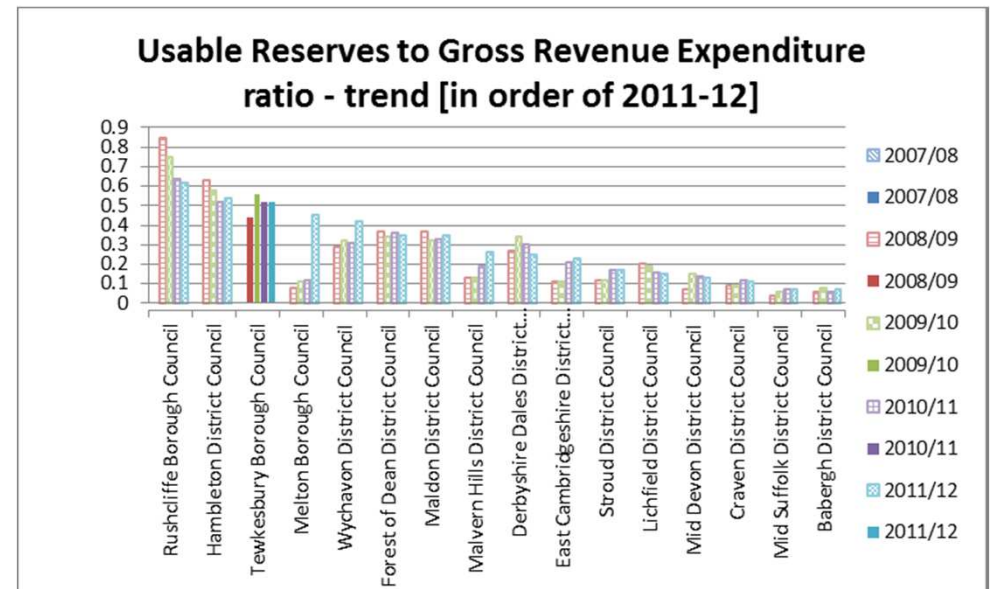
This shows useable capital and revenue reserves as a share of expenditure. A ratio of one means the total reserves matches the level of expenditure.

### Findings

Over the last four years up to 2011/12 the ratio for Tewkesbury's useable reserves has remained reasonably constant, showing that the authority has been able to maintain its reserves levels. The 2011/12 value of 0.52 sits towards the top end of the neighbour group, which is evenly split between those which saw a fall in 2011/12 and those which saw a rise.



Source: Audit Commission's Technical Directory





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