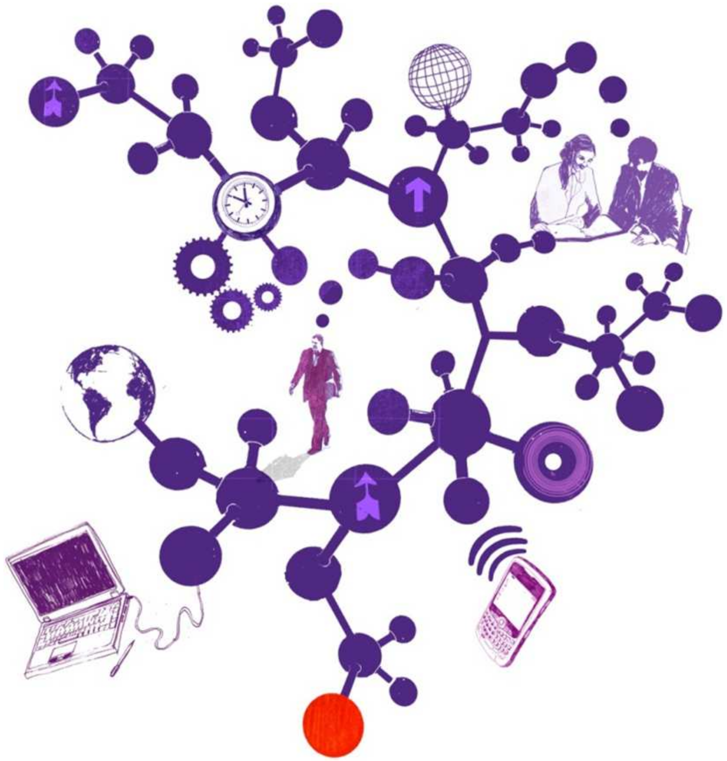
Review of the Council's Arrangements for Securing Financial Resilience for Torbay Council

Year ended 31 March 2013

September 2013



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Executive Summary

Our approach

Value for Money Conclusion

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

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

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

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

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

Further detail on each of these areas is provided in the sections of the report that follow. Our overall conclusion is that whilst the Council faces significant challenges during 2013-14 and beyond, its current arrangements for achieving financial resilience are adequate.

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

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

Executive Summary

National and Local Context

National Context

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

This followed a period of sustained growth in local government spending, which increased by 45% during the period 1997 to 2007. The funding reductions come at a time when demographic and recession based factors are increasing demand for some services, and there is a decreasing demand for some services, such as car parking, where customers pay a fee or charge.

The Chancellor of the Exchequer, in his Autumn Statement in November 2011, announced further public spending reductions of 0.9% in real terms in both 2015-16 and 2016-17. In his Autumn Statement on 5 December 2012, the Chancellor reinforced austerity measures announcing a further £6.6bn of savings during 2013-14 and 2014-15. Whilst health and schools will continue to be protected in line with the Government's policy set out in SR10, local government will continue to face significant funding reductions. The Department for Communities and Local Government will contribute £470m of these additional savings, £445m of which will come from local authority funding during 2014-15, with local authorities being exempt from additional savings in 2013/14.

The spending review for the next period is for a single financial year, 2015-16 and was announced by the Chancellor on 26 June 2013.

Financial austerity is expected to continue until at least 2017.

Local Context

Torbay Council is a unitary Council in the South West of England serving the coastal towns of Torquay, Paignton and Brixham. It has a population of 131,000 (Office of National Statistics estimate of population 2011), with 23.6% being over 65 years of age.

Torbay has some significant challenges. Total net spend per head of population is in the highest 20%, in comparison with its nearest neighbours (2011-12 Audit Commission VfM profiles) and over 30% of households do not have any member in employment (ONS annual population data 2011).

15,700 of the population are in receipt of benefits (ONS annual population data 2011), with 3,500 of these claiming Job Seekers Allowance (JSA). Total spend per head of the population on council tax and housing benefits administration is £22.10 per head, putting it in the highest 20%, in comparison with its nearest neighbours (2011-12 Audit Commission VfM profiles).

Following the Comprehensive Spending Review and the Local Government Settlement for 2011-13 announced in December 2010, the Council's 2012-13 approved budget required £9m of budget reductions, with a further £9m required for 2013-14.

Executive Summary

Overview of Arrangements

Risk area	Summary observations	High level risk assessment
Key Indicators of Performance	The Council is performing well against Key Indicators of Performance. Our review of indicators of borrowing, usable reserves balances, and schools balances all rated the Council as green. In respect of liquidity, as at 31 March 2012 the Council was performing well when compared to the Audit Commission Nearest Neighbour Benchmark Group, having the highest ratio. However, it should be noted that this due to a significant (£77.5) level of short term investments, which will reduce over the coming years as the funds will be spent on capital schemes. Also, borrowings that are currently long term will become short term which will impact on the ratio. Working capital will come under increasing pressure during the next few years and will need to be carefully monitored.	Amber
Strategic Financial Planning	The Council has good financial planning and reviewing processes in place. A 4 year Medium Term Resource Plan (MTRP) is in place covering 2011-12 to 2014-15. This is reviewed on a regular basis and updated annually once the Local Government Finance Settlement is announced. It reflects the impact of the significant reductions in government grant over the next 4 years and estimates that the Council will have a budget gap of approximately £21m over the next 3 years. The MTRP supports the Council's Corporate Plan and the assumptions are adequately reflected in the annual budgets. The business planning and budget setting process is embedded throughout the Council, with good member involvement.	Green
Financial Governance	The Council has effective governance arrangements in place. Through the business planning and budget setting process, the Council understands its financial environment at all levels, including members, who are actively engaged in the process. Clear and comprehensive reporting is undertaken and the Council has a track record of delivering performance in line with budgets set. The Council is currently in the process of identifying the savings required over the next 2 years. Detailed savings plans are yet to be developed.	Green

Executive Summary

Overview of Arrangements

Risk area	Summary observations	High level risk assessment
Financial Control	There is a robust budget setting process in place, which takes into account the views of stakeholders and includes rigorous review by Members, prior to the Mayor recommending approval to Full Council. The Council has an effective Internal Audit function and experienced, well qualified finance and accountancy officers, responsible for the production of management information and annual accounts. The Council manages its budget and this is evidenced by a good track record in achieving the overall budget and mitigating any overspends identified in year. Although, for 2012-13 £1.293m of uncommitted budget (including £0.9m of earmarked reserves) were used to achieve the year end surplus of £0.4m. £9m additional saving requirement has been identified for 2013-14 and the Council are in the process of identifying the savings required for 2014-15. However, detailed savings plans have yet to be developed. During the year a new electronic risk register has been introduced However, at this point in time it only identifies and captures Strategic risks (5 of them). This will be monitored by Directors on a monthly basis with quarterly reports to the Senior Leadership Team and the Audit Committee. A training programme for staff is currently being developed for 2013-14 using the Council's I-learn intranet training system.	Amber

Executive Summary

Next Steps

Area of review	Key points for consideration	Responsibility	Timescale	Management response
Key Indicators of Performance	The Council currently has a high liquidity ratio which will need to be closely monitored as short term debt reduces and long term borrowing become short term.	Executive Head Finance	On-going	The council will ensue there is on-going monitoring of its working capital and the impact of the capital plan. This will be supported by reports to Members including quarterly capital monitoring reports and 6 monthly treasury management reports.
Financial Control	The Council needs to ensure that detailed savings plans are developed and monitored to support the overall saving requirements going forward.	Senior Leadership Team/Executive Head Finance	December 2013	The council is facing challenges caused by the significant cuts to it overall funding from government. The council is currently in the process of preparing a 2 year budget supported by detailed savings. These will form part of the Mayor's budget proposals in the autumn. All saving proposals will be monitored throughout the year as part of the on-going reporting process.
Financial Control	To ensure an effective assurance framework is in place the Council needs to ensure that the new risk management system becomes fully embedded throughout the organisation.	Executive Head Business Services	March 2015	Reports have been presented to the Audit Committee setting out the new approach to Risk Management with a focus on Strategic Risks. The new approach will continue to be developed and embedded throughout the organisation during 2013/14 and 2014/15. Operational risks as determined by services are monitored within SPAR.

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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
- Useable Reserves: Gross Revenue Expenditure
- Long term borrowing to tax revenue
- Long term borrowing to long term assets
- Schools Reserves - Balances to DSG allocations

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

- Bath and North East Somerset
- Blackpool Council
- Borough of Poole
- Bournemouth Borough Council
- City of York Council
- Cornwall Council
- Darlington Borough Council
- East Riding Of Yorkshire Council
- Isle of Wight Council
- North Somerset Council
- North Tyneside Council
- Plymouth City Council
- Sefton Council
- Southend on Sea Borough Council
- Wirral Metropolitan BC

Key Indicators

Overview of performance

Area of focus	Summary observations	Assessment
Liquidity	• The working capital ratio indicates whether a council has enough current assets to cover its immediate liabilities. The Council's working capital ratio was 2.83 at 31 March 2013, a slight decrease on 2011-12 of 0.04. As at 31 March 2012 the Council was performing well when compared to the Audit Commission Nearest Neighbour Benchmark Group for liquidity, and was the highest. However, it should be noted that this due to a significant (£77.5) level of short term investments, which will reduce over the coming years as the funds will be spent on capital schemes. Also, borrowings that currently long term will become short term impacting on the ratio. Working capital will come under increasing pressure during the next few years and will need to be carefully monitored. • As at 31 March 2013 the Council had a negative cash balance of £2.2m, a reduction of £14m from 2011-12 at which point £11.8m was held. Part of this reduction was due to the repayment of £5m of borrowings in the year and an additional benefit run payment compared with the previous year.	Amber
Borrowing	• The Council's borrowing , as per the 31 March 2013 balance sheet was £150.2m, with £1.9m due within one year. This is a reduction from the prior year as £5m of debt was repaid during the year. • Total borrowing is below the approved limit included in the Council's Treasury Management Strategy 2012-13 to 2014-15 of £192.0m. • According to the Audit Commission Nearest Neighbour Benchmark data for 2011-12, the Council showed average performance when compared to the Audit Commission's Nearest Neighbour Benchmark Group. • Long term borrowing as a percentage of tax revenues was 1.29 in 2011-12 and at the 31 March 2013 was 1.28, which is a comparably good performance and in line with the ideal ratio of 1:1. • Long term borrowing as a percentage of long term assets was 0.47 in 2011-12. However, at 31 March 2013, following a £57m reduction in the value of the Council's property assets relating to the transfer of schools to academy status, this increases to 0.53. With an ideal ratio being less than one this shows the Council continues to perform well.	Green

Key Indicators

Overview of performance

Area of focus	Summary observations	Assessment
Reserve Balances	• At 31 March 2013 the General Fund balance was £4.4m, which is a slight increase on the prior year of £0.4m. • Total usable reserves were £46.7m at year end, which represents a decrease of £4.5m from the prior year. • £3.5m of the reduction in usable reserves relates to earmarked reserves. During the year the Council took the decision to review in detail its earmarked reserves and where appropriate release some of the funds. • When compared to the Audit Commission nearest neighbour benchmark group, the Council was above average in terms of balances held to gross revenue expenditure at the 2011-12 year end.	Green
Schools Balances	• The Audit Commission accepts that there will be some unspent Direct Schools Grant at each year end which will be transferred to reserves but expects councils to ensure that the funding is spent on the current cohort. The Council historically has maintained low balances and the latest available data published by the Audit Commission, for 2011-12, shows that the Council has comparable reserves to its statistical nearest neighbour benchmark group in relation to year end balances held. • The reserves level at the year end 2011-12 showed a rise from £2.7m to £3.9m but this remains at an acceptable level (0.05 or 5%) and confirms that funds are being spent on the education of the current cohort of pupils and not held in reserves for future projects.	Green

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Strategic Financial Planning

Key characteristics of good strategic financial planning

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

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

Strategic Financial Planning

Medium Term Financial Strategy

Area of focus	Summary observations	Assessment
Focus of the MTFP	• The Council has a 4 year Medium Term Resource Plan (MTRP) covering 2011-12 to 2014-15., which was originally approved by Members in October 2011. The MTRP is reviewed on a regular basis and updated annually once the Local Government Finance Settlement is announced. • The MTRP reflects the impact of the significant reductions in government grant over the 4 years of the Comprehensive Spending Review period and estimates that the Council will have a budget gap of approximately £21m over the next 3 years. • Other local factors considered in the MTRP are the service pressures due to significant increase demand, fees and charges and the general demographics of the population.	Green
Adequacy of planning assumptions	• The MTRP incorporates budgeted income and expenditure and provides an overview of local issues, national context and the Local Government resource review, as well as assumptions in respect of income, expenditure and reserves. • Key assumptions incorporated into the MTRP include: - income assumptions (formula grant) - income assumptions (other government grants (direct and indirect) - income assumptions (council tax) - reserves - expenditure pressures (base assumptions) - service pressures - fees and charges • The Council has a separate Capital Investment plan that covers the period 2012-13 to 2015-16.	Green

Strategic Financial Planning

Medium Term Financial Strategy

Area of focus	Summary observations	Assessment
Scope of the MTFP and links to annual planning	• The Council's budget planning is an integral feature of its overall corporate planning, ensuring that resources are planned, aligned and managed effectively to achieve its aims and objectives. • The MTRP Plan and future financial projections are updated on a rolling basis in order to ensure the council is able to take into account the impact of new statutory requirements, funding changes and changing demands. • The MTRP supports the Corporate Plan and the assumptions are adequately reflected in the budget for 2013-14.	Green
Review processes	• The Council produces an annual review of its MTRP and publishes this as an aid to assist long term financial planning. • This is presented to the Policies and Resource Panel for challenge prior to submission and agreement by Council. • The most resent version was upated and presented to the Policies and Resource Panel in November 2012 and approved at the December 2012 Overview and Scrutiny Board.	Green
Responsiveness of the Plan	• As the MTRP is reviewed annually it reflects the main risks facing the Council and is used to make decisions at both Member and operational level. The council is using the MTRP appropriately as part of its long term strategic plans. • The MTRP incorporates downside assumptions– such as reduction in income and the pressures to deliver certain services due to increasing demand.	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	• The Council has an understanding of its financial environment at all levels. However, during the year a new Strategic Risk Management system was introduced, currently this only identifies and captures the top 5 strategic risk. Although within these there are some financial risks, this new system has yet to be fully embedded within the Council. • The Leadership Team are fully informed to enable longer term business planning. Members are kept up to date via budget challenge meetings and budget monitoring reports. • The MTRP for 2012-15 sets the approach to be adopted in undertaking the business planning and budget process. This has been approved by Officers and Council and details expected pressures within the budget and estimated funding gaps for the next 3 years. • The Council is currently in the process of identifying the savings required over the next 2 years, currently estimated at £22m. Detailed savings plans have yet to be developed. This has been noted in more detail within the 'Financial Control' section of this report. • The Annual Governance Statement (AGS), which the Council produces on an annual basis, has not identified any significant governance issues in respect of 2012-13. • The Audit Committee provides scrutiny of the Council's governance arrangement.	Green
Executive and Member Engagement	• From detailed review of Council minutes it is apparent that Officers and Members challenge and scrutinise submissions robustly. • The Audit Committee consists of six Members, who attend regularly and provide challenge. Both the Executive Head – Finance (S151) and the Chief Accountant also attend. • The budget setting process includes both internal engagement with Officers and Members as well as external consultation. • External consultation commences in September each year and allows members of the public to have their say on their priorities and the proposals being made by the Council. • External consultations are undertaken by way of public meetings, questionnaires and a series of presentations from both the Council and partner organisations.	Green

Financial Governance

Understanding and engagement

Area of focus	Summary observations	Assessment
Overview for controls over key cost categories	• The Council agreed the required cost savings for 2012-13 in February 2011. These are monitored through quarterly budget monitoring reports, with any variances/slippage explained along with actions to address them. • The MTRP sets the required cost savings to enable the Council to deliver performance in line with its budget. It is approved annually by Council in November/December. The MTRP 2012-13 to 2014-15 was approved by Council in November 2011. • Progress against budget and savings are reported to Full Council throughout the year. These reports consider the budget and savings delivered and any potential issues or risks in achieving the overall position and provide an effective monitoring process.	Green
Budget reporting: revenue and capital	• Detailed financial scrutiny takes place at various levels throughout the Council. These include budget/portfolio holders, Senior Leadership team and Full Council. • The Council has a 4 year Capital Strategy, which included the capital plan, in place covering the period 2012-13 to 2015-16. This focuses on the key policies for the allocation of capital resources to schemes in line with the Council's priorities and statutory responsibilities. • The Capital Strategy was updated and approved by Full Council in February 2012. • Capital expenditure is then monitored along side the revenue budget .	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 a 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	• The Council has a robust budget setting process, which takes into account views of stakeholders and includes rigorous review by Members, prior to the Mayor recommending a budget for approval to the Council. • The Council manages its budgets and this is evidenced by a good track record in achieving the overall budget and mitigating any overspends identified in year. Although, for 2012-13 £1.293m of uncommitted budget (including £0.9m of earmarked reserves) were used to achieve the year end surplus of £0.4m. • Financial performance is reported quarterly to Members. The budget monitoring reports contain details of the overall budget to date as well as predicted outturn and detailed explanations for any variances. It also contains details of the financial performance of Council's subsidiaries and associates companies and debt collection rates. • Through its business planning process, the Council has a good understanding of its costs and performance and considers different ways of achieving savings through service redesign and activity monitoring to identify areas where services can be provided more effectively and efficiently. • To enable the Council to achieve its priorities and strategies, the Council has reviewed and updated its Medium Term Resource Plan (MTRP).	Green
Performance against Savings Plans	• For 2012-13 the Council identified that it needed to make reductions of £9.367m and set a net revenue budget requirement of £124m. • The Council achieved a year end surplus for the year of £0.4m, in part this was due to the use of earmarked reserves to support service pressures and costs of staff reductions. • The Council has identified £9m additional saving requirement for 2013-14 and are in the process of identifying the savings required for 2014-15. However, detailed savings plans have yet to be developed.	Amber

Financial Control

Internal arrangements

Area of focus	Summary observations	Assessment
Key Financial Accounting Systems	• The Council uses 'COA' database for its finance system. This system is updated to ensure that it is able to report effectively on key information required. • Internal Audit completed a review of the main accounting system in 2012/13 as part of their audit plan. They concluded that an assurance opinion of 'Good Standard' could be provided in respect of the systems and processes that underpin the general ledger. • The Council has a good track record of producing its annual accounts, with minimal audit amendments required.	Green
Finance Department Resourcing	• The Council has a strong and stable finance department with key personnel having been in post for a number of years. • The financial statements are always prepared and submitted by the required statutory deadline of the 30 June and are supported by a full set of working payments. • There are currently no vacancies in the finance department.	Green
Internal audit arrangements	• Internal Audit services are provided by Devon Audit Partnership (DAP) which is a shared service arrangement between Devon County Council, Plymouth City Council and Torbay Council. They use a risk-based approach to develop an audit plan that ensures there are sound and adequate internal controls in place across the whole of the Council. • Their revised audit plan for 2012/13 was for a total of 1,237 days. This included reviewing the Council's financial systems. As at the end of March 2013 a total of 1,199 days had been delivered. • During the year an independent review was undertaken by Hertfordshire Shared Internal Audit Services to assess DAP against the internal audit standards which are based on the mandatory elements of the Institute of Internal Auditors (IIA). DAP were assessed as operating in compliance with the IIA standards and the summary findings were reported to the March 2013 Audit Committee.	Green

Financial Control

Internal and external assurances

Area of focus	Summary observations	Assessment
External audit arrangements	• From 2012/13 the provision of External Audit transferred from the Audit Commission to Grant Thornton as part of a five year contract let by the Minister for Communities and Local Government. • The External auditors made no significant recommendations in its previous years Annual Audit Letter or Annual Governance Report.	Green
Assurance framework/risk management	• The AGS reflects fairly the overall assurance framework in place. In 2011-12 the Council implemented improvements in the production and presentation of the AGS and this has continued in 2012-13. There is a rigorous review process in place, involving Officers and Members, prior to approval by the Audit Committee. • The Council have developed and introduced a new electronic risk register. However, at this point in time it only identifies and captures Strategic risks (5 of them). This will be monitored by Directors on a monthly basis with quarterly reports to the Senior Leadership Team and the Audit Committee. A training programme for staff is currently being developed for 2013-14 using the Council's I-learn intranet training system.	Amber

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Appendix - Key indicators of financial performance

Key Indicators of Financial Performance

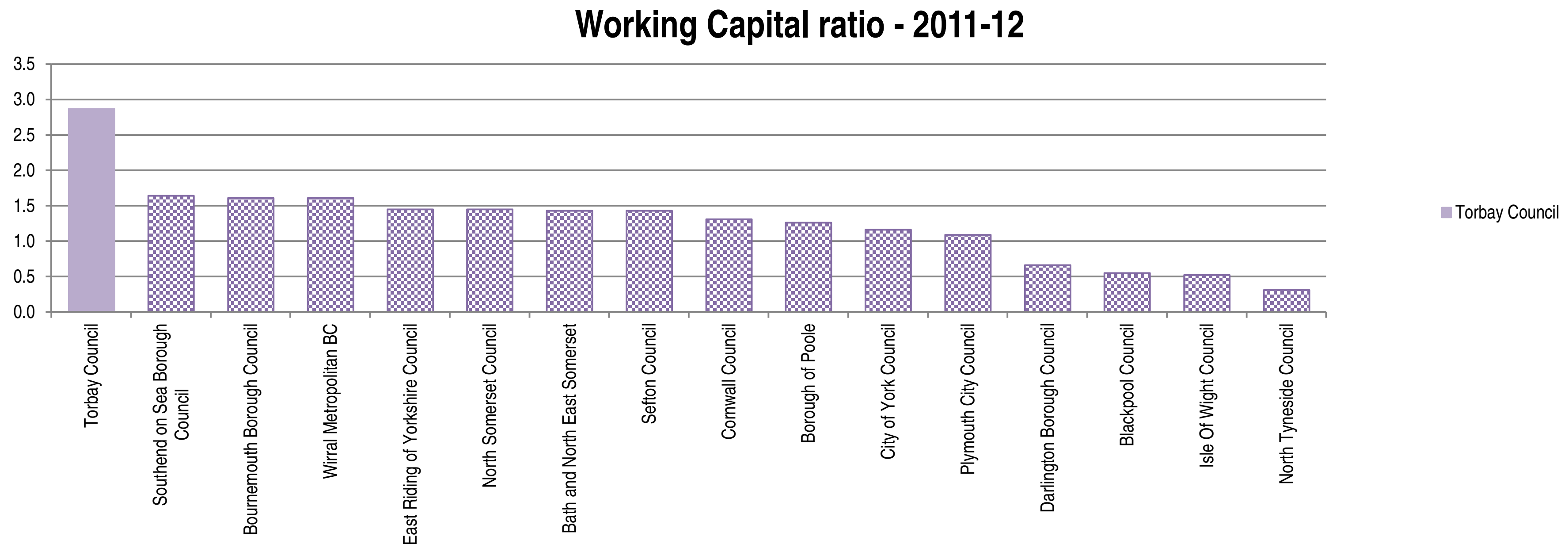
Working Capital - Benchmarked

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

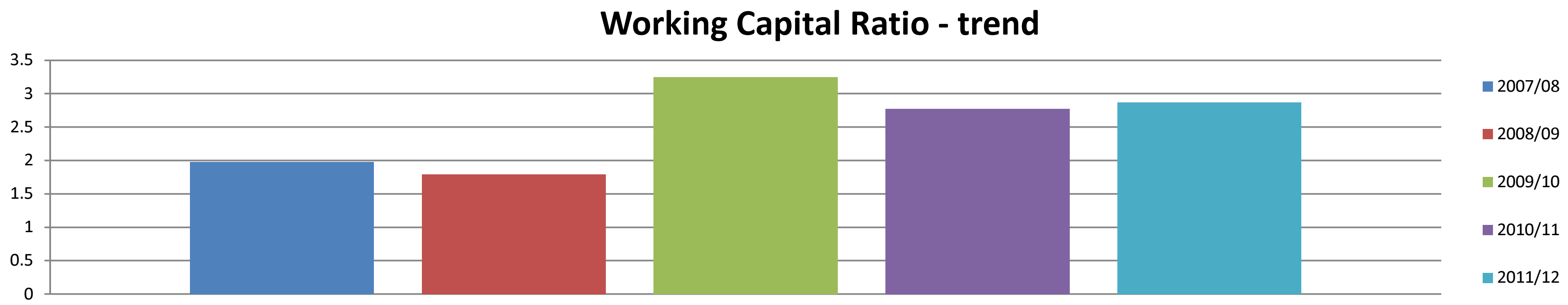
Torbay's working capital ratio has increased from 1.98 in 2008 to 2.87 in 2012. The Council is therefore above the preferred range of 2:1. However, it should be noted that this due to a significant (£77.5) level of short term investments, which will reduce over the coming years as the funds will be spent on capital schemes.
Working capital will come under increasing pressure during the next few years and will need to be carefully monitored.



Source: Audit Commission's Technical Directory

Key Indicators of Financial Performance

Working Capital - Trend



Source: Audit Commission's Technical Directory

Key Indicators of Financial Performance

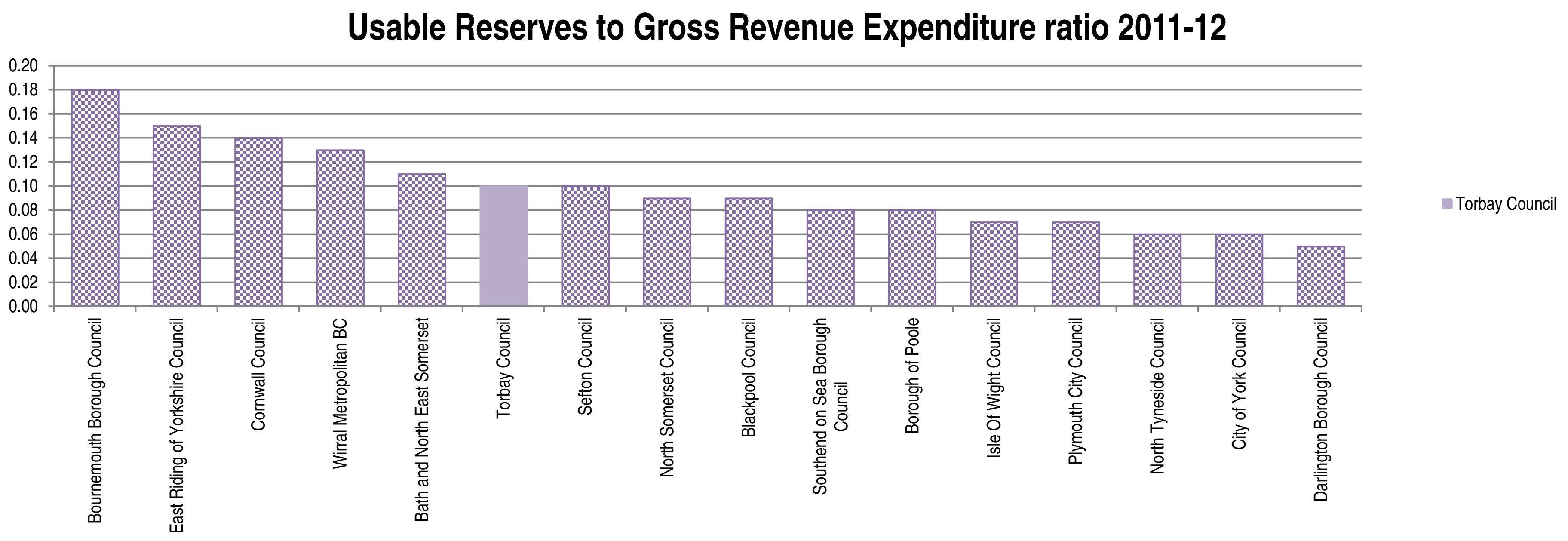
Useable Reserves - Benchmarked

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

Between 2008 and 2012 Torbay's useable reserves have remained constant with very little movement.



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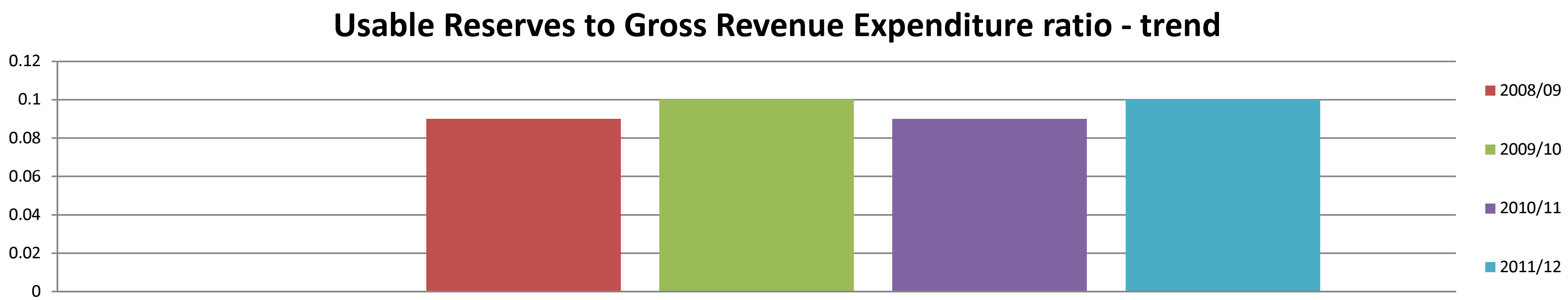
Key Indicators of Financial Performance

Usable reserves - Trend



Source: Audit Commission's Technical Directory

Key Indicators of Financial Performance

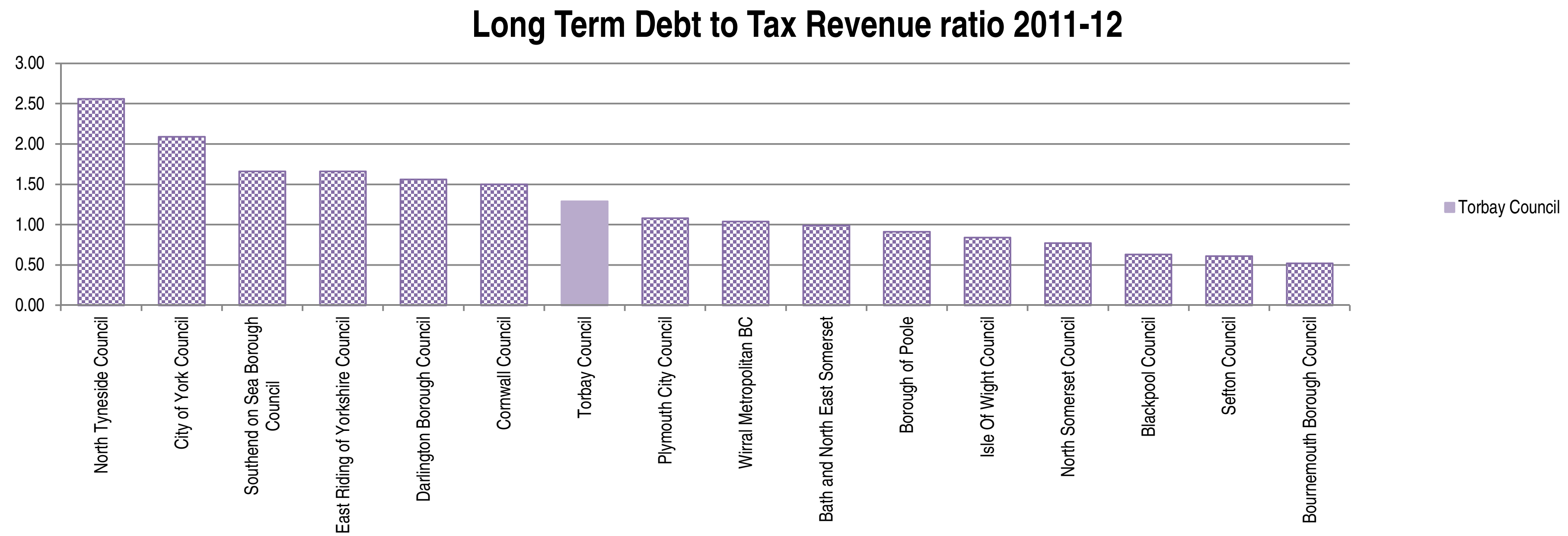
Long Term Borrowing to Tax Revenue - Benchmarked

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

Torbay's ratio of 1.29 indicates that it has long term borrowing which exceeds tax revenue by nearly 1.3 times. Torbay is seventh in comparison to the benchmark group, although just under half of the authorities have a ratio greater than1.5, indicating that Torbay is reasonably consistent with other authorities.



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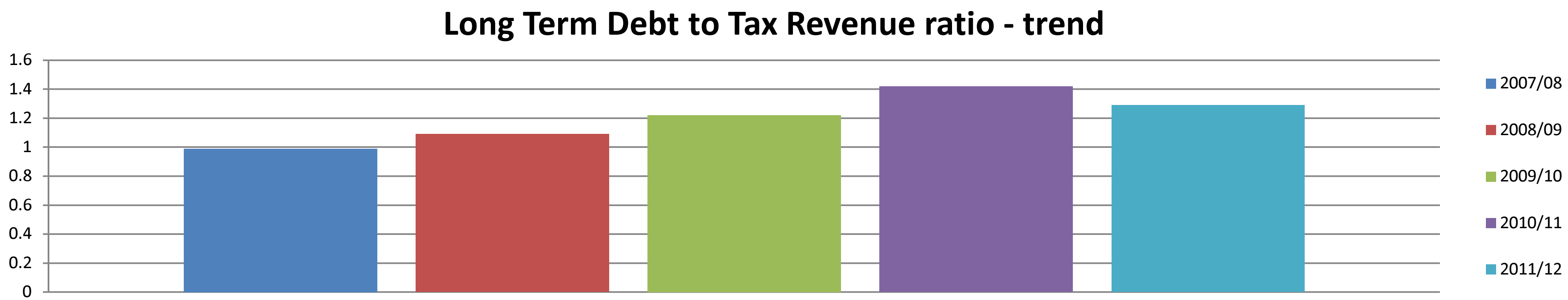
Key Indicators of Financial Performance

Borrowing



Source: Audit Commission's Technical Directory

Key Indicators of Financial Performance

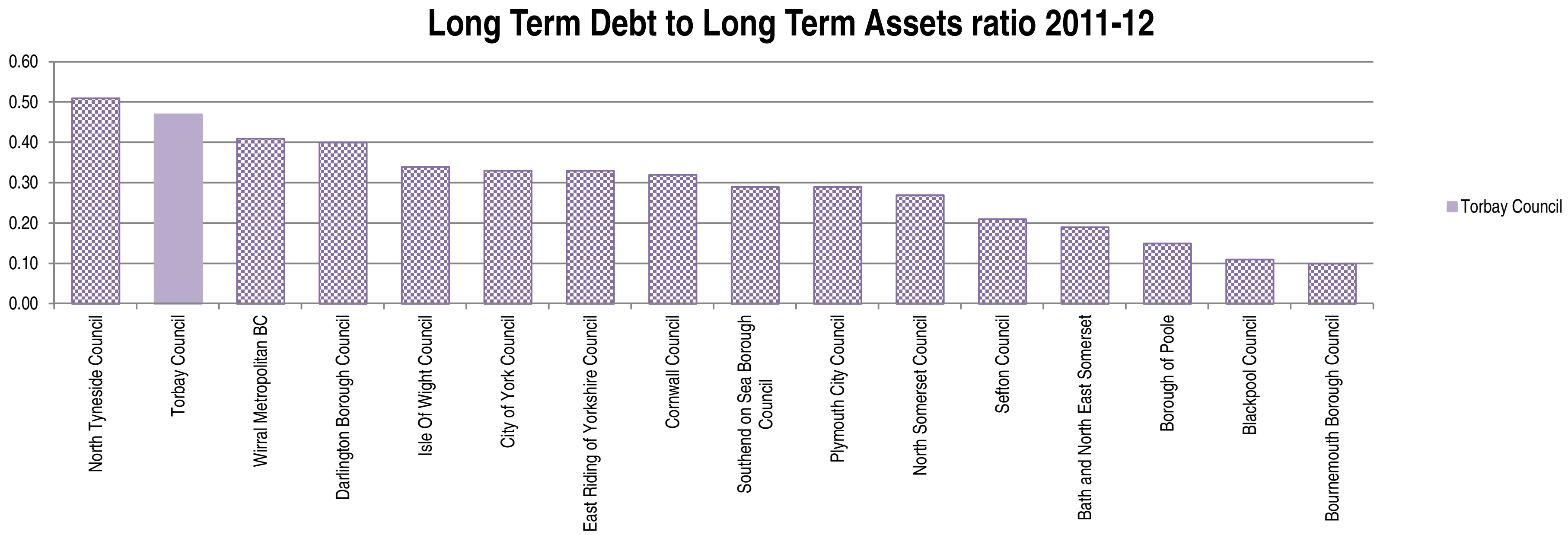
Long-term borrowing to Long-term assets - Benchmarked

Definition

This ratio shows long tem 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

Torbay's most recent ratio of 0.47 shows that the Council's long term borrowing represents approximately half of its long term assets - i.e. long term borrowing does not exceed its long term assets. In comparison to other authorities in this benchmarked group, Torbay has a higher than average long term borrowing to long term assets ratio.



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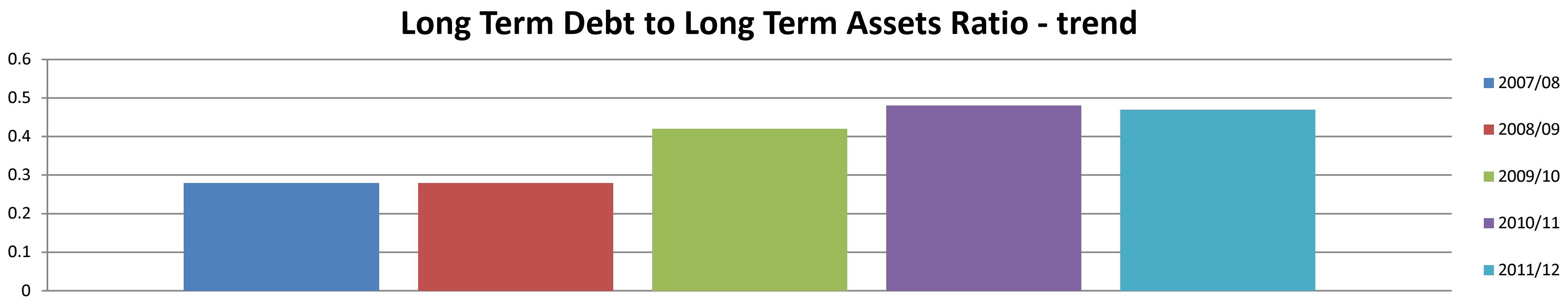
Key Indicators of Financial Performance

Long-term borrowing to Long-term assets



Source: Audit Commission's Technical Directory

Key Indicators of Financial Performance

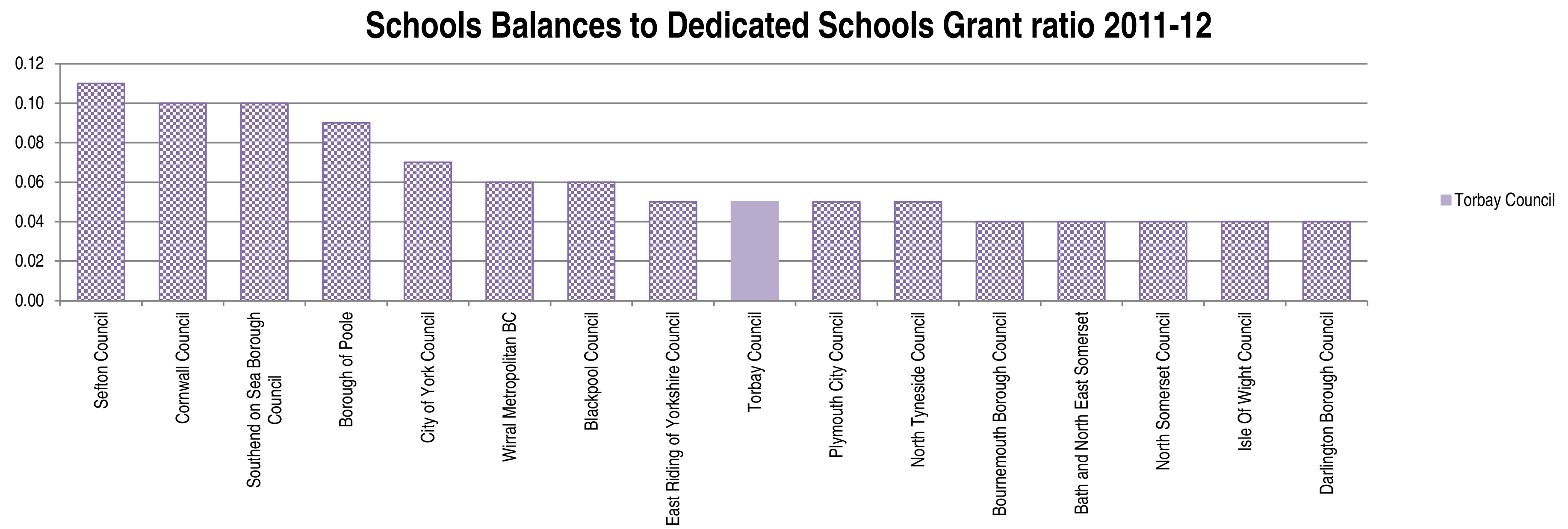
Schools balances to DSG allocation - Benchmarked

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

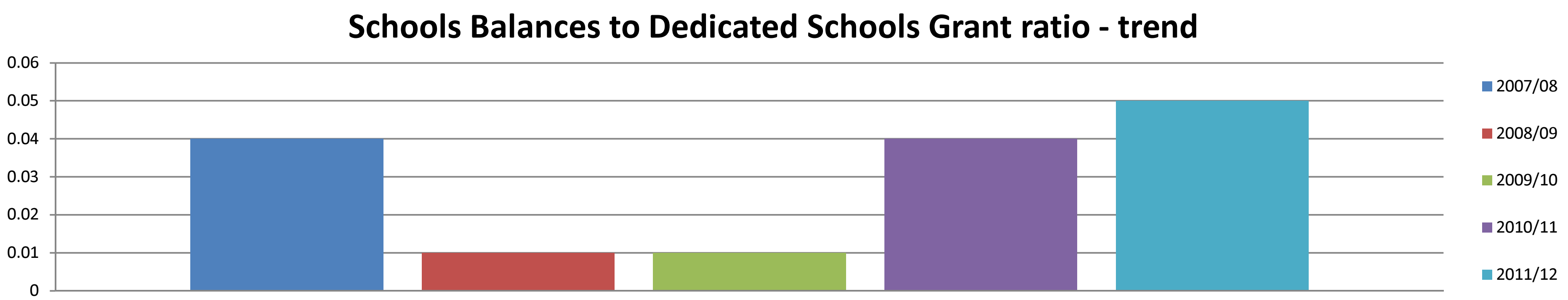
Torbay's ratio has increased each year over the last thee years. This is in line with the broad trend of the benchmark group. Torbay has consistently remained one of the authorities with the one of the lowest ratios over this three-year period. Torbay's balance of 5% for 11/12 is in the second lowest group, with the lowest being 4%.



Source: Audit Commission's Technical Directory

Key Indicators of Financial Performance

Schools balances to DSG allocation



Source: Audit Commission's Technical Directory

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