

# Torrige District Council

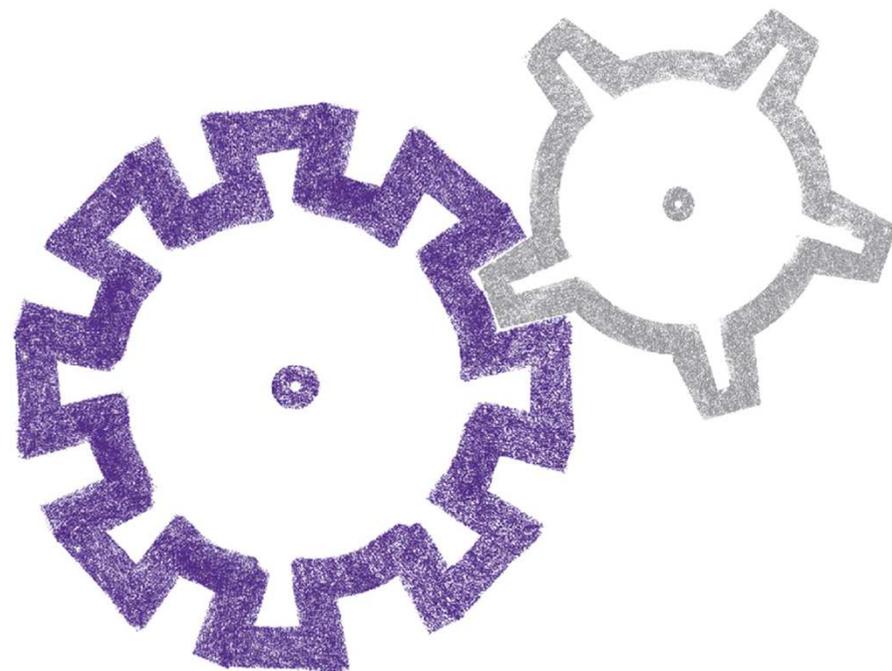
## Review of the Council's Arrangements for Securing Financial Resilience

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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.

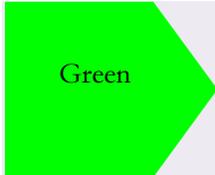
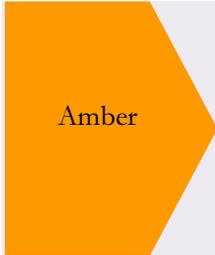
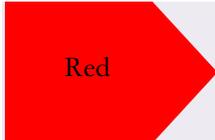
The definition of foreseeable future for the purposes of this financial resilience review is 12 months from the date of this report.

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's financial standing is sound. This supports its achievement of long-term objectives and priorities. The Council has a track record of operating within its budget while maintaining good service performance and the 2012/13 savings were achieved. The Council has a strategic forward-looking financial plan, and is able to show that it recognises its current financial position, and is taking early actions to reduce the impact of a financial squeeze.

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

# Executive Summary

## National and Local Context

### National Context

The Chancellor of the Exchequer announced the Spending Review (SR10) to Parliament on 20 October 2010. This formed a central part of the Coalition Government's response to reducing the national deficit, with the intention to bring public finances back into balance during 2014/15.

The associated report published Government Departmental Expenditure Limits (DELs) for the four-year spending review period: 2011/12 to 2014/15. CLG funding was reduced by 26% over the period.

This follows 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.

### Local Context

The Council set a Net Budget Requirement for 2012/13 of £8.237 million. Financed by government grant of £4.737 million (revenue support and business rates grant), Council Tax of £3.466 million and a Collection Fund Surplus of £0.034m. This was a reduction on 2011/12 of £0.511 million (5.8%), which is reflected by a similar fall in Central Government Grant.

The Council incorporated the continued public sector pay freeze, the Comprehensive Spending Review (CSR) that set out significant public sector expenditure reductions to 2016/17, which resulted in a 29% decrease in government funding.

The Corporate Management Team introduced a Business Planning and Budgeting process to identify options to reduce expenditure in their budget areas by 20% over the four year period. The identified options were risk –assessed against impact upon the Council as well as the ability for them to be delivered. The Council selected those options that it was either able to, or anticipated that it could, deliver in order to achieve a balanced budget.

The Council achieved its financial challenge and reported a £1.062 million underspend against the £8.237 million 2012/13 Revenue Budget. Consequently, the majority of savings required to deliver the 2013/14 Revenue Budget were achieved during the 2012/13. The Council will need to further reduce net expenditure in future years as forecast in the Medium Term Financial Plan

# Executive Summary

## Overview of Arrangements

Risk area	Summary observations	High level risk assessment
<b>Key Indicators of Performance</b>	Key indicators are mainly positive. however, the cost per head of services and overall is high compared to the family average,. Management consider this a direct result of the size of the Council and its population not able to negate the base level of cost to run the services. The Council's Council Tax requirement is significantly lower than the family average.	 <b>Green</b>
<b>Strategic Financial Planning</b>	The Council's strategic approach is robust, consulted on and involves members. Its planning is current and up to date. The consideration of challenges and the planning of assumptions is reported as part of the decision making process.	 <b>Green</b>
<b>Financial Governance</b>	The Council has good processes in place, there is clear involvement from members who set the priorities and agree the actions going forward. Reporting is strong in particular the Council's Monthly Business report is a thorough mechanism for monitoring and reporting the Council's performance.	 <b>Green</b>
<b>Financial Control</b>	The Council has internal control arrangements, and there were no significant issues identified in 2012/13. However, the embedded nature of the Council's risk management arrangements were considered unsatisfactory, the Finance department's establishment has been reduced in recent years and the Council's Internal Audit resources now stands at one. Although the Council has plans to address these issues, they remain risks to the Council going forward.	 <b>Amber</b>

## Executive Summary

### Next Steps

Area of review	Key points for consideration	Responsibility	Timescale	Management response
<b>Financial Control</b>	R1. The Council needs to complete its Risk management action plan and to assess the effectiveness of revised risk management processes.	Head of EHHPP	March 2014	As identified in the AGS Proposed Actions, training has been carried out and work will continue to embed Risk Management. A programme of activity is being undertaken across all services for completion by the end of December and an audit is to be undertaken by Devon Audit Partnership in March 2014.
	R2. The council should ensure that its Financial resources remain sufficient to maintain internal controls and reporting.	Head of Financial Services	Sept 2013	The interim management arrangements with North Devon Council will be reviewed by Council in September 2013. Prospective arrangements are in place but alternatives have been considered should they be required.
	R3. The Audit Committee need to monitor delivery of the Internal Audit plan for 2013/14 to ensure that it is able to monitor the robustness of Internal controls.	Audit Manager	March 2014	The Audit & Governance Committee has agreed a Forward Plan that includes regular reporting of performance against the audit plan. Also there is now a newsletter in which members can be advised of progress.

## Executive Summary

### Next Steps

Area of review	Key points for consideration	Responsibility	Timescale	Management response
<b>Strategic financial planning</b>	R4. The Council should consider opportunities for reducing its costs through alternative ways of service delivery.	Head of Paid Service	Sept 2013	The Council is to review the interim arrangements for shared management with North Devon Council and its aspirations for the future.
			June 2014	Other opportunities will be explored as part of the budget challenge process to achieve further cost reductions in future years.
	R5. The Council should specifically report the achievement of its savings against its annual savings plan.	Head of Financial Services	On-going	The performance against the budget is regularly reported as part of the Monthly Business Review, as is the identification of savings to meet the shortfall in future years as identified in the MTFs. The reporting will be kept under review to ensure that it is appropriate.
	R6 the Council should review reasons for its high cost of Council tax collection and consider whether it still wishes to retain tree local cash offices.	Head of Paid Service	On-going	This was the preferred option for members, to facilitate easier payment for taxpayers.

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Appendix - Key indicators of financial performance

# Key Indicators

## Introduction

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

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

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

Babergh District Council  
Forest of Dean District Council  
Melton Borough Council  
Mid Devon District Council  
Mid Suffolk District Council  
North Devon District Council  
North Kesteven District Council  
North Norfolk District Council  
Ryedale District Council  
Sedgemoor District Council  
South Hams District Council  
South Holland District Council  
South Norfolk District Council  
West Devon Borough Council  
West Lindsey District Council

## Key Indicators

### Overview of performance

Area of focus	Summary observations	Assessment
<b>Liquidity</b>	The Council's working capital is above the family average and has further improved in 2012/13. The Council's collection rates for NDR and Council Tax have fallen marginally in 2012/13 and are still below the Council's target The Council's funding from local taxes is increasing	 <b>Green</b>
<b>Borrowing</b>	The Council has a low level of debt but will not need to borrow externally in order to develop the Agri-business park.	 <b>Green</b>
<b>Workforce</b>	The Council's establishment has fallen from 280 in 2009/10 to 241 in 2012/13 as a result of not filling vacancies as they arise. However, the targeted establishment is 230. Sickness per employee is decreasing and is below the Council's target of 6.5 days set for 2012/13.	 <b>Green</b>
<b>Performance Against Budgets: revenue &amp; capital</b>	As a result of various planned processes, the Council reported a £1.062 million underspend against the £8.237 million set for the 2012/13 Revenue Budget. However, the Council's capital expenditure was only £0.963 million against a gross budget of £5.998 million as a result of delayed programmes, such as the Agri-business park. The reasons for this were clearly understood and reported.	 <b>Green</b>
<b>Reserve Balances</b>	The Council's General Fund balance stands at £1,111k which represents 12% of the net cost of services. Earmarked reserves are £4,460k an increase of £667k in 2012/13. This was to provide a greater level of capital funding for future projects.	 <b>Green</b>

## Key Indicators

### Audit Commission Key ratios – Overview

Area of Spend	2011/12	Family average	Direction of Travel	Commentary (spend per head of population)	Assessment
Working capital ratio	3.69	2.99	Increasing	The Council's level of Debts against Liabilities is increasing, and at 31 <sup>st</sup> March 2013 has reached 4.05.	 Green
General Fund Balance	1,111	1,765	Stable	The Council kept its balance at £1,111k at the 31 <sup>st</sup> March 2013.	 Green
Usable reserves to Gross revenue expenditure	0.14	0.20	Increasing	Usable reserves at 31 March 2013 were £4,460k a further increase as a result of realising savings plans earlier than anticipated.	 Green
Usable capital receipts	696	3,382	Reducing	Capital funds Have been reducing. The balance at 31 March 2013 is £1,383k. The Council's capital strategy recognises that it has limited capital receipts available and contributions to reserves from revenue where possible.	 Amber

Source – Audit Commission Key ratio profiles

## Key Indicators

### Audit Commission VfM profile – Overview

Area of Spend (spend per head)	2011/12	Family average	Direction of Travel	Quartile	Commentary (spend per head of population)	Assessment
<b>Total net spend per head</b>	423.84	367.66	Reducing	Q1	This reflects the relative size of Torridge's population. The level of Council tax is below the family average (see next page).	 <b>Green</b>
<b>Council tax Benefits and Housing Benefit administration</b>	13.02	11.25	Reducing	Q2	The slightly higher than average cost per head reflects the high benefit caseload.	 <b>Green</b>
<b>Spend on culture and sport</b>	31.08	27.55	Reducing	Q2	Income generated is also above the family average (see over). Since 2011/12 the leisure contract has been re-let with significant savings.	 <b>Green</b>
<b>Environmental services</b>	42.81	43.86	Reducing	Q3	Spend slightly below the family average.	 <b>Green</b>
<b>Housing Services</b>	13.27	12.98	Increasing	Q3	The cost reflects a significant increase in clients as a result of high house prices and low incomes locally.	 <b>Green</b>
<b>Sustainable economy</b>	72.31	54.73	Reducing	Q1	This is the Council's priority area and spend reflects this. Considerable work has been done to attract funding into the area and major schemes are underway for Brunswick Wharf, Westward Ho and Bideford town centre.	 <b>Green</b>

Source – Audit Commission Value for Money profiles

## Key Indicators

### Audit Commission VfM profile – Financial Resilience

Indicator	2011/12	Family average	Direction of Travel	Quartile	Commentary	Assessment
Council Tax requirement	£4,288k	£6,302k	Reducing	Q4	The Council Tax requirement is 32% below the family average.	 Green
Income from Sales, Fees and charges as a % of total spend	19.88%	15.40%	Increasing	Q1	The Council has a high level of income from its services, particularly the Burton art gallery.	 Green
Reserves as a % of net current expenditure	18.10%	19.90%	Increasing	Q3	The Council's reserves are below the family average.	 Green
Net spend on council tax collection per head	£7.16	£4.80	Decreasing	Q1	The high cost reflects the Council's decision to maintain sub-offices at Holsworthy, Torrington and Bideford to enable tax payers to have greater payment options.	 Amber

Source – Audit Commission Value for Money profiles

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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
<p><b>Focus of the MTFP</b></p>	<p>The Council faces the same pressures as other Councils. During 2012/13 the Council increased its arrangements for working together with North Devon Council. The MTFP incorporates this , the Council is also continuing its review of services in light of the need to make on-going revenue savings.</p> <p>The MTFS looks at the changing financial situation of the Council over the future four financial years for 2013/14 to 2016/17. The starting position is the 2012/13 budget which is rolled forward based on a set of assumptions. Allowances for inflation are included, mainly based on the latest Bank of England forecast.</p> <p>The main differences between the new and updated forecasts for 2013/14 are the loss of 2012/13 council tax freeze grant, no increase in car park fees and no allowance for a council tax increase. The Council is currently using £50,000 p.a. from a Transitional Funding Reserve to fund services. This reserve will be exhausted at the end of 2014/15 and is part of the forecast funding gap for 2015/16.</p>	<p> Green</p>
<p><b>Adequacy of planning assumptions</b></p>	<p>Key assumptions in the MTFP are set out clearly and these are reported on as part of the MBR.</p> <ul style="list-style-type: none"> <li>• No new borrowing to fund capital expenditure.</li> <li>• Additional legislative requirement will be funded by additional grant.</li> <li>• The move to Universal Credit has a nil effect.</li> <li>• The 2012/13 council tax freeze grant does not continue.</li> <li>• Rents, fees and charges rise in line with inflation.</li> <li>• No impact from future changes to pensions.</li> <li>• Does not include any increase in the level of council tax.</li> <li>• No impact from changes to council tax benefit or other council tax discounts.</li> <li>• No additional income from the reform of NNDR.</li> <li>• No changes to formula funding methodology.</li> <li>• No use of future years additional New Homes Bonus.</li> </ul> <p>The management team understand variances in out-turn and these are reported as part of the budget monitoring process.</p>	<p> Green</p>

# Strategic Financial Planning

## Medium Term Financial Strategy

Area of focus	Summary observations	Assessment
<p><b>Scope of the MTFP</b></p>	<p>The plan is drawn up, by a small group of members and officers, to reflect the Council's priorities. The group considers a number of options to close the forecast budget gap</p> <p>The Committee considered future budget reductions, sources of additional income generation. A number of officer/member groups considered various service areas. Other options discussed included:</p> <ul style="list-style-type: none"> <li>• Further service areas for changes, reductions or cessation</li> <li>• Shared working – the current shared management arrangements with North Devon are only temporary and will need to be reviewed as to their future. Other options for shared working could be investigated.</li> <li>• The Opportunities Development Fund - This was created as part of the 2012/13 budget but only been used for a one-off contribution to a Youth Opportunities Development Fund in 2012/13 and could be reconsidered.</li> <li>• Future New Home Bonus could be directed towards revenue funding</li> <li>• Increasing income – the rationale behind charges could be reviewed as could the balance between taxpayer and service user in the funding of services. Income generation options could also be considered.</li> <li>• Increasing council tax.</li> </ul>	<p style="text-align: center;">   <b>Green</b> </p>
<p><b>Review processes</b></p>	<p>The Council's MBR is comprehensive in monitoring activity and performance.</p>	<p style="text-align: center;">   <b>Green</b> </p>
<p><b>Responsiveness of the Plan</b></p>	<p>The model adopted considers the sensitivity of the assumptions and these are highlighted to members if any are critical to achieving the MTFP.</p>	<p style="text-align: center;">   <b>Green</b> </p>

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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
<b>Understanding the Financial Environment</b>	The current financial environment is a key corporate risk. It is considered each time the risk register is revised and discussed. Briefings are given by officers to support the budget, the MTFP and also each presentation of the MBR.	 <b>Green</b>
<b>Executive and Member Engagement</b>	Members are engaged in various groups used to build the MTFP. The financial environment and the key options for financial decisions are discussed at key briefings, e.g. informal full council e planned for September 2013 as a key driver for revision of the MTFP and setting the 2013/24 budget.	 <b>Green</b>
<b>Overview for controls over key cost categories</b>	The Council has undertaken a number of service reviews that have produced measurable savings. The council has a comprehensive Monthly business report (MBR) that reports costs and performance against key business priorities.	 <b>Green</b>
<b>Budget reporting: revenue and capital</b>	The Council has a Monthly Business review which analysis qualitative and quantitative information over the key priorities. The MBR compares performance, in year, against previous year and against the set target performance. Revenue out-turn and projection are included as is the progress against the capital programme.	 <b>Green</b>
<b>Adequacy of other Committee/ Cabinet Reporting</b>	The Council's MBR is recognised as good practice and the Council periodical review its effectiveness and look at options for further improvement.	 <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
<p><b>Budget setting and monitoring - revenue and capital</b></p>	<p>The council's Budget setting is linked to its MTFP and is undertaken by working groups of members and officers. Service managers are consulted and identify potential savings and service changes, these are used to inform the assumptions in the budget and plans.</p>	<p> Green</p>
<p><b>Performance against Savings Plans</b></p>	<p>The Council does not specifically report against identified savings in the Monthly business review. However, once the budget has been set, Management report to members all variances against the set budgets. This includes a projection of the revised out-turn for the year.</p> <p>At the end of the year the out-turn report, and consequently, the Foreword to the financial statements reflects on the achievement of savings. For 2012/13 the Interim joint Head of Finance reported:</p> <p>The Council achieved its financial challenge and reported a £1.062 million underspend against the £8.237 million 2012/13 Revenue Budget. This achievement was delivered through the adoption of a number of business planning options:</p> <ul style="list-style-type: none"> <li>· During the financial year, established posts which were either already, or became vacant, were assessed against a business case and where appropriate held vacant. This led to savings of £0.300 million.</li> <li>· Income from major sources of fees and charges was also better than had been originally budgeted by £0.136 million.</li> <li>· The Council re-tendered a major contract during the year for its recycling service, which achieved savings of £0.153 million.</li> <li>· The Council has also been closer with its neighbouring local authority at North Devon and a number of senior officers are trialling working across both councils to establish whether a business case for more shared working exists.</li> </ul> <p>Consequently, the majority of savings required to deliver the 2013/14 Revenue Budget were achieved during the financial year which is the principal reason for a considerable but deliberate underspend as set out in the table on the following page.</p> <p>The Council will need to further reduce net expenditure in future years as forecast in the Medium Term Financial Plan. Therefore it will continue to review its services and decide if and how they are to be delivered in order to achieve the savings that will be required.</p> <p>The Council faces further challenges because, from 1 April 2013, the financial responsibility and risks associated with the council tax reduction scheme and business rates retention scheme is transferred to local authorities.</p> <p>The Spending Review on 26 June 2013 identified that Local Government as a whole will be subject to a further funding reduction of 10% in 2015/16. The specific implications for Torridge will not be known in detail until the settlement data for that year is issued in 2015.</p>	<p> Green</p>

# Financial Control

## Internal arrangements

Area of focus	Summary observations	Assessment
<p><b>Key Financial and Accounting Systems</b></p>	<p>The Council's systems of Internal Control including the significant financial systems are reviewed annually by the Council's Internal Audit Manager. In her annual report she states:</p> <p>"I confirm that in my opinion, for the year ended 31 March 2013, the Council generally had adequate and effective risk management, control and governance arrangements in operation and the Annual Governance action plan should address those weaknesses Identified".</p> <p>Internal Audit identified 14 high risk recommendations, none of these related to the key financial systems. However, the audit opinion for risk management was unsatisfactory. The Council's management team have agreed an action plan to address the weaknesses, which arise from the lack of embedded processes across the Council's services.</p>	<p> Green</p>
<p><b>Finance Department Resourcing</b></p>	<p>The Council's Finance team has been reduced over the last few year's. The Director of Resources has taken on the role of Head of paid service and the Council has an Interim shared Head of Finance, which it shares with North Devon Council. The Chief Accountant is retiring in the autumn and the Council is actively seeking his successor. In recent years the Head of Performance post has been removed from the establishment.</p> <p>Consequently the departments resources are now much reduced. Although this has not reduced the quality of the financial reporting, this is an area of concern.</p>	<p> Amber</p>
<p><b>Internal audit arrangements</b></p>	<p>The Council's Internal audit team consisted of the Internal Audit Manager and a very experienced manager for 2012/13. However, the auditor has moved to another department and has not yet been replaced, whilst the Council considers its future options.</p> <p>The Internal Audit Manager is currently undertaking the project to implement the Council's risk management action plan, alongside the oversight of internal audit activity.</p> <p>The Council has put in arrangements too use the Devon Audit Partnership to deliver a large part of the agreed Internal Audit programme for 2013/14, much of which will be undertaken in the second half of the year.</p>	<p> Green</p>

# Financial Control

## Internal and external assurances

Area of focus	Summary observations	Assessment
<b>External audit arrangements</b>	<ul style="list-style-type: none"> <li>The provision of External Audit has transferred from the Audit Commission to Grant Thornton as part of a five year contract let by the Minister for Communities and Local Government.</li> <li>The External auditors made no significant recommendations in its Annual Audit Letter or its Annual Governance Report.</li> </ul>	 <b>Green</b>
<b>Assurance framework/ risk management</b>	<ul style="list-style-type: none"> <li>Risk management is assessed at the Corporate level by the Audit and Governance Committee and underpinned by the Council's risk management group.</li> <li>There are risk registers at service level, each project is also risk assessed.</li> <li>The Council has risk management policy in place and this was last reviewed in 2012.</li> <li>During the year an Internal Audit review identified the need for the Council to fully embed risk management so service managers see the benefit of good risk management.</li> </ul>	 <b>Amber</b>

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# Key Indicators of Financial Performance

## Working Capital - Benchmarked

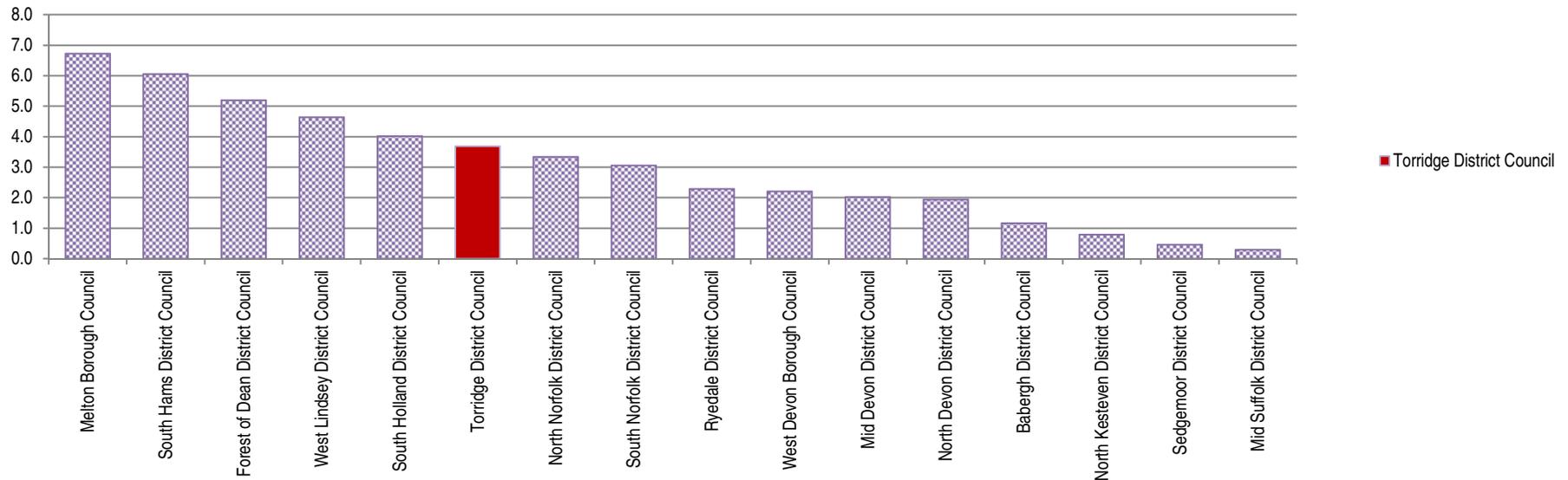
### Definition

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

Torrige's working capital ratio is improving. In 2011/12 it was above the average for its family group. This indicates that the Council has a healthy level of current assets to cover its short term liabilities..

Working Capital ratio - 2011-12



# 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

Torrige has a level of usable reserves that is average for its family group. Reserves have further increased in 2012/13.

### Useable Reserves to Gross Revenue Expenditure ratio 2011-12

