

Audit Committee – 27 October 2009

Improving Financial Reporting - the publication of financial health indicators

Summary of the Report

The independent publication of a financial indicator report should result in a wider interest in financial management in the council, with the intention of improving financial understanding and literacy, reinforcing openness and accountability. The document aims to be a simple yet effective method of communicating the financial health and performance of the council.

Recommendation

- 1. To agree the set of financial indicators as set out in the report, having taken account of changes required by the audit committee**
- 2. That the indicator set be published on the council website on a quarterly basis, and provide a hard copy to all members**



James T. Walsh

Chief Finance Officer

Date 19 October 2009

Resource and legal considerations

No additional resources will be required for this financial reporting is a key operational activity of the finance section. There are no legal consequences arising from this report.

Governance Issues

It is anticipated that governance will be strengthened, by the regular production and publication of the indicators, as members and other interested stakeholders will be better informed of the financial standing of the council without the over complication of detailed operational reports. It should increase openness and accountability. The signposting provides a mechanism by which council members can drill down for more information.

It supports the key principles of the Councils local code of governance.

Citizen impact

Citizens will be better and more regularly informed of the financial state of the council.

Performance Management and Risk Management Issues

The report should focus attention on management's responsibility for achieving targets which reinforces existing monitoring of performance by senior management and the Executive.

The traffic light system together with trend analysis will assist in managing financial risks.

Financial reporting is the principal means by which the council meets its accountability to stakeholders for its stewardship of public money and use of resources.

Equality Implications

None arising from this report.

Consultation

Background papers

None

Author

James T. Walsh – Chief Finance Officer

☎ 01922 652102

<mailto:walshj@walsall.gov.uk>

Walsall Council Financial Health Indicators

Treasury Management	2008/9 Actual	2009/10 Target	2009/10 Forecast	RAG
Average Interest Rate (Borrowing)	4.69%	4.85%	4.7%	G
Gearing Effect on Capital Financing Estimates	1.87%	5%	2.5%	G
Unsupported Borrowing : Net Revenue	1.14%	1.9%	1.9%	A
Capital Financing Requirement £m	256.7	274.5	260.0	G
Authorised limit for external Debt (£m)	299.2	299.2	299.2	G
Investment Rate Average	5.22%	3.5%	2.88%	R

Balance Sheet Ratios	2006/7	2007/8	2008/9	RAG
Current Assets : Current Liabilities	1.72	1.97	2.00	
Useable Reserves : General Revenue Expenditure Assuming Revenue Expenditure is equal to Net Operating Expenditure	0.17	0.20	0.11	
Long Term Borrowing : Tax Revenue Using only council tax for tax revenue Using both council tax and NNDR for tax revenue	2.73 1.33	2.75 1.34	2.67 1.24	
Long Term Borrowing : Long Term Assets	6.94	7.00	6.21	

Total School Reserves : Dedicated School Grant	0.06	0.07	0.06	
--	------	------	------	--

Revenues Performance	2008/9	2009/10		RAG
% Collected for Financial Year	Actual Year End	Profiled Qtr	Actual	
Council Tax %	96.9%	27%	28.01%	G
National Non Domestic Rate %	98.1%	33%	34.08%	G
Total Council Tax Collected (£m)	£83,433,699	£16,343,041	£16,954,392	G
Total NNDR Collected (£m)	£65,314,746	£66,072,659	£16,637,445	G
Sundry Debtors Collection (Debtor Days) Average number of days to collect debt	Not available	30	24	G
Average number of days to process creditors payments (Creditor Days)	18	15	14	G

Management of Resources		(Budget for monitoring) 2009/10		RAG
Service Analysis		Target	Forecast	
Children and Young People		£38,767,855	£40,631,070	R
Neighbourhood Services		£46,416,434	£46,696,912	R
Regeneration		£6,953,776	£7,741,726	R
Social Care		£63,376,097	£63,834,408	A
Resources		£32,106,335	£33,969,550	R
Council Wide		£49,573,200	£49,573,200	G
General Reserves		£7,955,082	£2,245,082	R
Capital Expenditure		£58,645,161	£58,071,669	A
Capital Receipts		£1,113,000	£1,137,000	G

What this tells us

Treasury Management	
Average Interest Rate (Borrowing)	The average interest rate we are paying on the money we have borrowed compared to our target.
Gearing Effect on Capital Financing Estimates	Shows how a 1% increase in interest rates would affect the total interest cost to the council.
Unsupported Borrowing : Net Revenue	Borrowing not financed by a grant from government, as a proportion of our Net Revenue Expenditure
Capital Financing Requirement (£m)	How much money we currently borrow to finance our capital programme.
Authorised limit for external Debt (£m)	The maximum amount of debt we should have at any one time
Investment Rate Average	The average interest rate we are receiving on the money we have invested.

Balance Sheet Ratios	
Current Assets : Current Liabilities	Our ability to meet our liabilities
Useable Reserves : General Revenue Expenditure	If our reserves are adequate to meet potential future variations.
Long Term Borrowing : Tax Revenue Using only council tax for tax revenue Using both council tax and NNDR for tax revenue	The effect of long term borrowing on our budget.
Long Term Borrowing : Long Term Assets	This allows us to understand the relationship between the money we borrow and the assets we have as they both change over time.

Total School Reserves : Dedicated School Grant	If schools reserves are at an appropriate level.
--	--

Revenues Performance

% Collected for Financial Year	As a percentage the amount of council tax we collected during the financial year that runs from 1 April – 31 March. We collect council tax after the year that its related to, but this won't be included in this figure
Council Tax (%)	
National Non Domestic Rate (%)	As a percentage the amount of Business rates we collected during the financial year that runs from 1 April – 31 March. We collect council tax after the year that it related to.
Total Council Tax Collected (£m)	This tells us the amount of council tax we collected during the financial year that runs from 1 April – 31 March. We collect council tax after the year that it relates to, but this won't be included in this figure.
Total NNDR Collected (£m)	This tells us the amount of Business Rates we collected during the financial year that runs from 1 April – 31 March. We collect council tax after the year that it relates to, but this won't be included in this figure.
Sundry Debtors Collection Average number of days to collect debt	How long on average it takes us to collect money owed to us.
Average number of days to process creditors payments	How long on average it takes to pay our bills.

Management of Resources

Service Analysis

Children and Young People Neighbourhood Services Regeneration Social Care Resources Council Wide	Shows our forecast for how much we will spend on these services compared to what we planned and compared to how much we spent in the previous year.
General Reserves	Our forecast year end position on reserves against our opening balance.
Contingency	How much we have set aside and for unplanned expenditure, and how much we have left to spend.
Capital Expenditure	Forecast of our spend on capital programmes against our target
Capital Receipts	Forecast of how much money we expect to receive from selling some of our assets, against our target.