

Departmental Quarterly Monitoring Report

Directorate: Resources

Department: Finance

Period: Quarter 3 – 1st October to 31st December 2010

1.0 Introduction

This monitoring report covers the Finance Department's third quarter up to period end 31st December 2010. It describes key developments and progress against key objectives and performance indicators for the Service.

The way in which symbols have been used to reflect progress is explained within Appendix 4.

2.0 Key Developments

Financial Management Division

On 20th October 2010 the Chancellor announced the outcome of the Comprehensive Spending Review (CSR). Local Government will bear the largest share of cuts across the public sector, totalling 28% over four years. However the savings are front loaded with greater cuts in the first two years. The CSR also confirmed Government's approval to the Mersey Gateway bridge project, subject to statutory processes.

The Medium Term Financial Strategy (MTFS) was considered by Executive Board on 18th November, which set out an expected funding gap of up to £48m over three years (2011-2014) and the key assumptions upon which this was based. The Council's 2011/12 base budget has been prepared within the framework of the MTFS.

The Government announced the Local Government Finance Settlement on 13th December 2010 which provided details of the Grant Settlement for Halton for the next two years. The Council's grant will be cut by 13.3% for 2011/12 and 6.6% for 2012/13. This will require budget savings to be achieved of £20m in 2011/12 and £16m in 2012/13 with a further £12m in 2013/14 (the latter is based upon indicative control totals provided by Government at this stage). In addition, Working Neighbourhoods Funding will cease from 1st April 2011, resulting in a further loss of £5.5m to the Council.

On 10th February the Executive Board will recommend budget proposals to be considered by Council on 2nd March 2011. This will include the budget reductions required in order to deliver a balanced budget for 2011/12.

Work has been on-going during the quarter with implementation of International Financial Reporting Standards (IFRS). The main accounting statements (eg. Balance Sheet) within the 2009/10 Abstract of Accounts have now been restated onto an IFRS basis, along with the supporting notes to the accounts. These are currently being reviewed by the Audit Commission and the results of that review will be reported to the Business Efficiency Board on 9th March 2011. This will then provide the starting point for preparation of the 2010/11 final accounts.

Efficiency Programme Office

The delivery of the Efficiency Programme Plan continues, with Wave 2 and 3 workstreams in progress. The Revenues, Benefits and HDL workstream will reach a conclusion in the coming months, as will the Contracted Services to Schools workstream and the Property Services workstream. An evaluation of the first twelve months of operation of the new Open Spaces Service has commenced and will be reported to the Efficiency Programme Board around February. The Efficiency Programme Office will shortly begin working on the development of Wave 4 of the Programme, with a view to adding further service reviews to the Programme schedule.

Revenues and Benefits Division

Benefits

Processing times remain one of the best within both Merseyside and Greater Manchester, with new claims currently being processed on average within 14.48 days. This is an improvement on the same period last year when the turnaround time was 15.58 days

Revenues

During the third quarter of 2010/11 the Council Tax and Business Rates collection remained constant despite the continued recession. Council Tax arrears collection has improved from 24.98% in November 2009 to 30.70% in November 2010.

Welfare Rights

The demand for appeal representation has significantly increased. So far this year, the team have attended 129 appeals tribunals and achieved a success rate of 89%. This is an increase of 66 cases based on the same point last year which had a success rate of 73.33%. In addition, the welfare rights advice given by the team has resulted in an increased income for Halton residents of £1,946,616. This represents an increase of £367,160 compared with the 2009/10 end of year figure.

Audit & Operational Finance Division

Internal Audit

For the past four years Internal Audit has undertaken the external assessment of the Council's schools against the Financial Management Standard in Schools (FMSiS).

However, in mid-November the Government announced that FMSiS would cease with immediate effect. A replacement version of FMSiS is to be introduced at the start of the 2011/12 financial year. It is anticipated that the replacement will be a much simpler model concentrating on the key points on which Governing Bodies and Headteachers should assure themselves. It is unlikely that the replacement version will require any form of external assessment.

Finance Support Services

As at the end of the third quarter of 2010/11, 90% of invoices processed in 2010/11 have been paid within 30 days, which is in line with the target set for the year. It is anticipated that performance should improve further in the final quarter as more efficient working practices introduced during the year become further embedded.

3.0 Emerging Issues

A restructure within the Finance Department is ongoing, dependent on the impact of the Voluntary Early Retirement and Redundancy Schemes and budget savings.

Financial Management Division

Support continues to be provided on the financial aspects of the Mersey Gateway development, the partnership with Merseyside Waste Disposal Authority for the procurement of waste treatment and disposal facilities, and equal pay claims.

Planning has begun for preparation of the 2010/11 final accounts, which from this year must fully comply with International Financial Reporting Standards (IFRS) and the IFRS Code of Practice. Producing the final accounts for 2010/11 will be more resource intensive under IFRS.

Efficiency Programme Office

The reduction in service budgets as a result of balancing the budget may affect some of the planned workstream savings targets. Targets are generally set as 10% of operational budget and where operational budgets reduce, the corresponding 10% also reduces. This has been highlighted in the Efficiency Programme risk register and will be monitored closely.

Revenues and Benefits Division

The outcome of the Efficiency Review (Wave 2) will impact on the way in which Revenues and Benefits will be delivered in the future. Current working practices will need to be reviewed and monitored over the coming months once the new structure has been agreed.

Benefits

From 1st April 2011 there are changes to the Local Housing Allowance (LHA). The

LHA changes will require system software amendments and this will incur a cost.

In addition, the level of non dependant deductions is set to increase. This will be a staged increase which will take place over the coming four years. This increase will generate more queries and appeals as claimants struggle to find the additional money to cover the deduction. There will need to be close monitoring to ensure that there is not an increase in the number of undeclared non-dependants.

The transition of claimants from Incapacity Benefit and Severe Disability Allowance to Employment Support Allowance is due to start in February 2011. This is likely to see an increase in activity and queries for these benefits, as claimants' Housing Benefit and Council Tax Benefit details are amended to reflect the changes.

Revenues

The results of two recent consultation documents on Student Discount Regulations and the proposed introduction of Local Referendums to veto excessive Council Tax increases are still awaited.

From April 2011, the non dependant deductions applied to Council Tax Benefit are due to increase. This may have a detrimental impact on Council Tax collection rates as people struggle to pay the additional charge. There may also be an increase in applications for single person discounts as a result

Business Rates

The collection rate at the end of the quarter 3 was 85.50% which is down on the previous year's collection rate of 88.94%. A number of new assessments, however, have recently been brought into the rating list.

From January 2011, the way in which Business Rates are collected for Widnes Market is due to change and will see individual stallholders being responsible for individual bills. This is likely to cause some problems with the stallholders but every effort will be made to ensure that the transition is implemented as efficiently as is possible

Welfare Rights

The transition of claimants on Incapacity Benefits and Severe Disability Allowance to Employment Support Allowance is due to start in February 2011 and is likely to have impact on a significant number of claimants in Halton. This is scheduled to be a three year transition period. Further proposals for significant change to Disability Living Allowance are likely to cause a further increase in demand in the medium term.

Audit & Operational Finance Division

Cashiers

As part of the budget savings proposals for 2011/12, the Council is to close the cash offices at Widnes HDL and Halton Lea HDL. This will not affect customers who will still be able to make payments using the payment kiosks. However, alternative means of banking income and providing cash to various parts of the

Council will need to be identified and put into place.

Insurance

The Council's insurance contracts are currently out to tender and are due to be re-let from April 2011. The Council is being assisted in the procurement process by AON, who are appointed as Insurance Advisor to the Council.

Internal Audit / Client Finance

Following an audit report on Halton Supported Housing Network, which identified opportunities to improve the way in which clients' personal monies are accounted for, officers from the Internal Audit and Client Finance teams have delivered a series of training sessions to over 70 support workers and care staff in regard to improving the accounting arrangements for personal allowances.

4.0 Service Objectives / milestones

4.1 Progress against 'key' objectives / milestones

Total	10		10		0		0
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All of the key objectives/milestones for the Department are on track to be achieved and details are provided within Appendix 1.

4.2 Progress against 'other' objectives / milestones

Total	7		7		0		0
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All other objectives/milestones for the Department are on track to be achieved and are therefore not being reported by exception at this time.

5.0 Performance indicators

5.1 Progress Against 'key' performance indicators

Total	5		5		0		0
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All of the key performance indicators for the Department are on track to be

achieved and details are provided within Appendix 2.

5.2 Progress Against 'other' performance indicators

Total	3		3		0		0
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The remaining performance indicators reported at this time are on track to be achieved and are therefore not being reported by exception at this time.

6.0 Risk Control Measures

During the development of the 2010 -11 service activity, the service was required to undertake a risk assessment of all Key Service Objectives.

No 'high' risk, treatment measures were identified.

7.0 Progress against high priority equality actions

As a result of undertaking a departmental Equality Impact Assessment no high priority actions were identified for the service for the period 2010 – 2011

8.0 Data quality statement

The author provides assurance that the information contained within this report is accurate and valid and that every effort has been made to avoid the omission of data. Where data has been estimated, has been sourced directly from partner or other agencies, or where there are any concerns regarding the limitations of its use this has been clearly annotated.

9.0 Appendices

Appendix 1 Progress Against 'key' objectives / milestones

Appendix 2 Progress against 'key' performance indicators

Appendix 3 Financial Statement




Appendix 4 Explanation of use of symbols

Appendix 1: Progress Against 'key' objectives / milestones

Ref	Objective
FS 01	Set the Revenue Budget, Capital Programme and Recommend Council Tax



Milestones	Progress Q3	Supporting Commentary
Report Medium Term Financial Forecast to Executive Board November 2010		The Strategy was reported to Executive Board in 18 th November 2010.
Report to Council in March 2011		On track to report to Council on 2 nd March 2011.

Ref	Objective
FS 02	To effect financial prudence by assisting managers to control their budgets by monitoring spending and providing timely and accurate financial reports




Milestones	Progress Q3	Supporting Commentary
Provide monthly financial reports to budget holders within 8 days of month end		Reports issued on schedule to date.
Provide quarterly financial monitoring reports to Operational Directors for inclusion in Performance Monitoring Reports		Quarter 3 reports provided on schedule to Operational Directors.
Provide quarterly monitoring reports on the overall budget to Executive Board Sub Committee.		Quarter 2 was reported to Executive Board Sub Committee on 18 th November 2010, showing an overall underspend against the revenue budget. Quarter 3 will be reported on 10 th February 2011.

Appendix 1: Progress Against 'key' objectives / milestones

Ref	Objective
FS 03	Provide for public accountability by reporting the Councils stewardship of public funds and its financial performance in the use of resources by preparing the final accounts as required by statute and in accordance with the latest accounting standards









Milestones	Progress Q3	Supporting Commentary
Complete the Draft Abstract of Accounts and report to the Business Efficiency Board by 30th June 2010		The draft Abstract of Accounts was approved by the Business Efficiency Board on 30 th June 2010.
Publish the Abstract of Accounts by 30th September 2010		The 2009/10 Abstract of Accounts was published on 30 th September 2010 along with a brief Summary of the accounts. Both documents have been made available via the Council's website, HDL, Libraries and information points

Ref	Objective
FS 04	Continue to identify and exploit the potential for further efficiency gains by enhancing the authority's approach to the procurement of goods and services

Milestones	Progress Q3	Supporting Commentary
Undertake a spend review across the authority in order to identify potential savings opportunities by March 2011		This is now complete and we are working with Directorates to identify savings to be realised in 2012/13.
Enhance the transparency of trading opportunities to providers through the roll-out of e-trading by March 2011		Workshops have commenced and have been oversubscribed by local businesses. This will continue into April – June 2011.
Meet the Government's new requirement to publish on a monthly basis details of contract and tenders awarded, senior officers salaries and expenditure transactions exceeding £ 500, from January 2011 onwards.		This information has now been published on the Council's website.

Appendix 2: Progress Against 'key' performance indicators

Ref	Description	Actual 2009/10	Target 2010/11	Quarter 3	Current Progress	Direction of Travel	Supporting Commentary
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Corporate Health							
<u>FSLI 1</u>	Receive an unqualified audit opinion on the accounts	Yes	Yes	Yes		N/A	The Audit Commission provided an unqualified opinion on the 2009/10 accounts and reported their findings to the Business Efficiency Board on 30 th September 2010.
<u>FSLI 4</u>	The percentage of all invoices which were paid in 30 days	N/A	90.00	89.94%		N/A	It is anticipated that the target of 90% will be achieved by year end. Performance dipped slightly in Q3 due to the clearing of a backlog of invoices that had been stuck in the invoice scanning and registration system.
<u>FSLI 5</u>	Proportion of Council Tax collected	97.23%	96.00	85.67			Collection rate at Q3 2009 was 85.82%. Although collection rates are marginally lower than the same period last year, the annual target is expected to be achieved.
<u>FSLI 6</u>	The percentage of Business Rates which should have been received during the year that were received	99.73%	97.75	85.50			Collection rate at Q3 2009 was 88.94%. Although collection rates are marginally lower than the same period last year, the annual target is expected to be achieved.
<u>NI 181</u>	Time taken to process HB CTB new claims and change events	7 days	14	5.76			Performance at Q3 2009 was 7.07 days

Appendix 3: Financial Statement

Revenue Budget as at 31st December 2010

	Annual Budget	Budget To Date	Actual To Date	Variance To Date (overspend)	Actual Including Committed Items
	£'000	£'000	£'000	£'000	£'000
<u>Expenditure</u>					
Employees	6,379	4,883	4,584	299	4,609
Supplies & Services	711	357	357	0	419
Insurances	599	599	690	(91)	690
Charitable Relief	103	0	0	0	0
Concessionary Travel	2,228	1,429	1,425	4	1,425
Council Tax Benefits	11,195	11,094	11,097	(3)	11,097
Rent Allowances	46,658	37,479	37,448	31	37,448
Non HRA Rebates	99	54	51	3	51
Total Expenditure	67,972	55,895	55,652	243	55,739
<u>Income</u>					
Fees & Charges	-63	-40	-41	1	-41
SLA to Schools	-953	-925	-1,013	88	-1,013
NNDR Administration Grant	-169	0	0	0	0
Hsg Ben Administration Grant	-1,486	-1,114	-1,042	(72)	-1,042
Concessionary Travel Grant	-331	-250	-250	0	-250
Rent Allowances	-46,070	-36,139	-36,201	62	-36,201
Council Tax Benefits Grant	-11,060	-8,491	-8,498	7	-8,498
Other Grants & Reimbursements	-666	-386	-460	74	-460
Capital Financing	-50	-50	-50	0	-50
Liability Orders	-345	-258	-239	(19)	-239
Non HRA Rent Rebates	-99	-54	-52	(2)	-52
Total Income	-61,292	-47,707	-47,846	139	-47,846
Net Controllable Expenditure	6,680	8,188	7,806	382	7,893
<u>Recharges</u>					
Premises	813	813	813	0	813
Transport	425	394	395	(1)	395
Asset Charges	107	0	0	0	0
Central Support Service	2,907	2,179	2,179	0	2,179
Support Service Income	-5,664	-4,124	-4,124	0	-4,124
Net Total Recharges	-1,412	-738	-737	(1)	-737
Net Departmental Total	5,268	7,450	7,069	381	7,156

Appendix 3: Financial Statement

Comments on the above figures:

In overall terms spending is currently below the Department's budget to the end of quarter 3.

With regard to expenditure, employee costs are lower than budget due to vacancies that exist within the Revenues & Benefits and Audit & Operational Finance Divisions. Revenues & Benefits is currently being reviewed as part of the Wave 2 Efficiency Programme and hence posts have been left vacant pending the outcome of the review.

Insurance expenditure is over budget at the end of the period. This is due to the Council now having a duty to provide premises insurance cover for Catholic Schools. However, the additional cost is being recovered from schools and hence the extra income to date received in respect of SLAs to Schools.

Other grants and reimbursements income is currently in excess of budget which in the main is due to clerical error recoveries relating to Housing Benefit Rent Allowances.

In overall terms spending is £381,000 below the net Departmental budget to date and is expected to be similarly below budget by year-end. This will contribute towards the £0.5m underspend target for the year which has been set for the Resources Directorate.




Local Strategic Partnership Expenditure to 31st December 2010

	Annual Budget £000	Budget to Date £000	Actual to Date £000	Variance to Date £000
Benefits Bus	155	116	99	17
Net Expenditure	155	116	99	17

Regular monitoring reports are sent to the Local Strategic Partnership (LSP) in respect of all LSP projects and any areas of concern are dealt with throughout the year by the LSP support team and individual project managers. Some variances against the budget to date are expected, as the LSP have deliberately over-programmed in order to ensure that the full allocation of Working Neighbourhoods Fund is spent during the year.




Appendix 4: Explanation of Symbols

Symbols are used in the following manner:

Progress	<u>Objective</u>	<u>Performance Indicator</u>
Green	 Indicates that the <u>objective is on course to be achieved</u> within the appropriate timeframe.	<i>Indicates that the annual target <u>is on course to be achieved</u>.</i>
Amber	 Indicates that it is <u>uncertain or too early to say at this stage</u> , whether the milestone/objective will be achieved within the appropriate timeframe.	<i>Indicates that it is <u>uncertain or too early to say at this stage whether the annual target is on course to be achieved</u>.</i>
Red	 Indicates that it is <u>highly likely or certain</u> that the objective will not be achieved within the appropriate timeframe.	<i>Indicates that the target <u>will not be achieved unless there is an intervention or remedial action taken</u>.</i>

Direction of Travel Indicator

Where possible performance measures will also identify a direction of travel using the following convention

Green	 Indicates that performance is better as compared to the same period last year.
Amber	 Indicates that performance is the same as compared to the same period last year.
Red	 Indicates that performance is worse as compared to the same period last year.
N/A	Indicates that the measure cannot be compared to the same period last year.