

# QUARTERLY MONITORING REPORT

**DIRECTORATE:** Corporate and Policy  
**SERVICE:** Financial Services  
**PERIOD:** Quarter 4 to year end 31<sup>st</sup> March 2009

## 1.0 INTRODUCTION

This monitoring report covers the Financial Services fourth quarter period up to year end 31 March 2009. It describes key developments and progress against all objectives and performance indicators for the service.

Given that there are a considerable number of year-end transactions still to take place a Financial Statement for the period has not been included within this report in order to avoid providing information that would be subject to further change and amendment. The final 2008/09 Financial statements for the Department will be prepared and made available via the Council's Intranet once the Council's year-end accounts have been finalised. A notice will be provided within the Members' Weekly Bulletin as soon as they are available.

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

## 2.0 KEY DEVELOPMENTS

The downturn within global financial markets has continued with the UK economy now being considered to be in deep recession. The action taken by the Government has injected stability into the banking system, but has not yet provided the stimulus for the UK economy as a whole. The Council will continue to act prudently so as to minimise financial risk during this uncertain period.

The Monetary Policy Committee continued to reduce the Bank of England Base Rate, from 2.0% in December 2008 to 0.5% in March 2009.

Inflation, as defined by the Consumer Prices Index (CPI), reduced from 3.1% in December 2008 to 2.9% in March 2009. The Retail Price Index (RPI), which includes mortgage costs, became negative in March 2009 for the first time since 1960, reducing to -0.4%. Inflation is expected to continue to fall over coming months with further reductions particularly in energy prices and the slowdown in consumer spending.

The final Local Government Finance Settlement was announced on 28<sup>th</sup> January 2009, without any changes to Halton's Settlement compared to the provisional figures.

The Council's 2009/10 Revenue Budget, Capital Programme and Council Tax were approved by Full Council on 4<sup>th</sup> March 2009.

The Audit Commission issued their Annual Audit and Inspection Letter in March 2009 relating to the 2007/8 financial year, which confirmed;

- that the Council retained its four-star status and continues to improve well
- that improvements have continued to be made in a number of priority areas and there are ambitious and robust plans for further improvement
- an unqualified audit opinion on the 2007/08 accounts

Work is underway, with assistance from all Directorates, to prepare the Council's 2008/09 year-end accounts in accordance with regulatory requirements and statutory deadlines.

An evidence pack has been prepared for the Audit Commission, to assist with the 2009 CAA Use of Resources assessment. The assessment is significantly different this year, being part of the Comprehensive Area Assessment (CAA) and also being "outcome" rather than "output" based. The Audit Commission will report the results of their assessment to the Business Efficiency Board on 23<sup>rd</sup> September 2009.

The Department is involved in the development of the detailed delivery strategy, in respect of the efficiency themes identified by the Council's efficiency partner KPMG.

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, equal pay claims, and Building Schools for the Future.

### **3.0 EMERGING ISSUES**

On 22<sup>nd</sup> April 2009 the Chancellor presented his Budget Report which included; increasing the annual efficiency target to 4% from 2010/11, continuing with the existing three year local government finance settlement to the end of 2010/11, significant reductions in capital spending, and tightening of public sector spending from 2011.

Major changes to accounting and financial disclosure requirements will be introduced from 2009/10, with the public sector's adoption of International Financial Reporting Standards (IFRS). A working group has been established with representatives from across the Council, to assess the implications of IFRS for Halton and prepare an action plan to implement the necessary changes.

#### 4.0 PROGRESS AGAINST OBJECTIVES / MILESTONES

<b>Total</b>	<b>6</b>		<b>6</b>		<b>0</b>		<b>0</b>
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All six of the objectives / milestones for the Service have been achieved and details are provided within Appendix 1.

#### 5.0 SERVICE REVIEW

An action plan and self-assessment were prepared following last year's Use of Resources assessment and in preparation for the 2009 assessment, which have also been used as the basis for ensuring continued improvement across the Department.

#### 6.0 PROGRESS AGAINST KEY PERFORMANCE INDICATORS

<b>Total</b>	<b>2</b>		<b>2</b>		<b>0</b>		<b>0</b>
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Two of the 3 key performance indicators for the Department have been achieved. The third indicator cannot be reported until the second quarter of 2009/10. Details are provided within Appendix 2.

#### 6.1 PROGRESS AGAINST OTHER PERFORMANCE INDICATORS

<b>Total</b>	<b>6</b>		<b>6</b>		<b>0</b>		<b>0</b>
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The remaining six performance indicators for the Department have been achieved and details are provided within Appendix 3.

#### 7.0 PROGRESS AGAINST LPSA TARGETS

There are no LPSA targets for this service.

#### 8.0 RISK CONTROL MEASURES

During the production of the 2008-09 Service Plan, the service was required to undertake a risk assessment of all Key Service Objectives.

No 'high' risk, treatment measures were deemed to be necessary

## **9.0 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 2008 – 2009



## **10.0 DATA QUALITY**

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.




## **11.0 APPENDICES**

Appendix 1- Progress against Objectives/ Milestones  
Appendix 2- Progress against Key Performance Indicators  
Appendix 3- Progress against Other Performance Indicators  
Appendix 4- Explanation of traffic light symbols

Progress against objective/milestones


Service Plan Ref.	Objective	Key Milestone	Progress Year end	Commentary
FS O1	Set the Revenue Budget, Capital Programme and recommend Council Tax	<p>Report Medium Term Financial Strategy (MTFS) to Executive Board <b>November 2008</b>.</p> <p>Report to Council in <b>March 2009</b></p>		<p>The MTFS was reported to Executive Board on 20<sup>th</sup> November 2008.</p> <p>The Revenue Budget, Capital Programme and Council Tax were approved by Council on 4<sup>th</sup> March 2009.</p>
FS O2	To effect financial prudence by assisting managers to control their budgets by monitoring spending and providing timely and accurate financial reports	<p>Provide <b>monthly</b> financial reports to budget holders within 8 days of month end (<b>CA</b> – Chief Accountant).</p> <p>Provide quarterly financial monitoring reports to Operational Directors for inclusion in Performance Monitoring Reports (<b>GA</b> – Group Accountant).</p> <p>Provide quarterly monitoring reports on the overall budget to Executive Board Sub Committee. (<b>CA</b>)</p>		<p>Reports issued on schedule to date</p> <p>Quarter 3 reports were provided on schedule to Operational Directors.</p> <p>Quarter 3 was reported to Executive Board Sub Committee on 12<sup>th</sup> February 2009, showing that revenue and capital expenditure to date was below the budget profile.</p>

Progress against objective/milestones



Service Plan Ref.	Objective	Key Milestone	Progress Year end	Commentary
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.	<p><i>Complete the Draft Abstract of Accounts and report to the Business Efficiency Board by <b>30<sup>th</sup> June 2008.</b></i></p> <p><i>Publish the Abstract of Accounts by <b>30<sup>th</sup> September 2008.</b></i></p>		<p>The draft Abstract of Accounts was approved by the Business Efficiency Board on 26 June 2008.</p> <p>The 2007/08 Abstract of Accounts was published on 29 September 2008 along with a brief Summary of the Accounts. Both documents have been made available via the Council's website, HDL, Libraries and information points.</p>
FS 04	Make best use of cash resources available to the Council and meet its statutory responsibility by setting, implementing and monitoring the Treasury Management Policy	<p><i>Establish treasury Management Policy and report to the Executive Board Sub-Committee by <b>April 2008.</b></i></p> <p><i>Provide monitoring reports to the Executive Board Sub-Committee <b>on a quarterly basis.</b></i></p>		<p>The Treasury Management Policy was approved by Executive Board Sub-Committee on 20 March 2008.</p> <p>Quarter 3 was reported to Executive Board Sub Committee on 29<sup>th</sup> January 2009.</p>
FS 05	Ensure that the Capital Programme is affordable, prudent, and sustainable by setting and monitoring prudential borrowing indicators.	<p><i>Report prudential indicators to Council in <b>March 2008.</b></i></p> <p><i>Provide monitoring reports to the Executive Board Sub-Committee <b>on a quarterly basis</b></i></p>		<p>Prudential Indicators for 2008/09 were approved by Full Council on 5 March 2008.</p> <p>Quarter 3 capital spending was reported to Executive Board Sub Committee on 12<sup>th</sup> February 2009, showing 70% of planned spending at that stage.</p>

**APPENDIX ONE – PROGRESS AGAINST OBJECTIVES/ MILESTONES  
(Financial Services)**

Progress against objective/milestones




Service Plan Ref.	Objective	Key Milestone	Progress Year end	Commentary
FS O6	Provide an independent and objective opinion of the Council's control environment by evaluating its effectiveness in achieving the Council's objectives.	<p><i>Obtain approval from the Business Efficiency Board for the Internal Audit Plan for 2008/9 <b>June 2008.</b></i></p> <p><i>Carry out sufficient audit work across the whole of the organisation to ensure that a confident, evidence based audit opinion can be provided on the Council's control environment. A commentary on the audit work undertaken will be provided in <b>quarterly</b> progress reports to Business Efficiency Board.</i></p> <p><i>Provide an overall opinion on the Council's system of internal control in the Internal Audit Annual Report (2007/8) to the Business Efficiency Board <b>June 2008.</b></i></p>		<p>The 2008/9 Internal Audit Plan was approved by the Business Efficiency Board on 27<sup>th</sup> February 2008.</p> <p>The third quarter Internal Audit progress report was presented to the Business Efficiency Board on 25<sup>th</sup> February. The fourth quarter report and annual internal audit report will be presented to the Business Efficiency Board on 3<sup>rd</sup> June 2009.</p>

## Progress against key performance indicators

Ref	Description	Actual 2007/8	Target 08/09	Actual 2008/09	Progress	Commentary
<b>Corporate Health</b>						
FSLI 1	Receive an unqualified audit opinion on the accounts.	Yes	Yes	Yes		The Audit Commission reported the findings of their audit of the 2007/08 final accounts to the Business Efficiency Board on 25 September 2008.
<b>Cost &amp; Efficiency</b>						
NI 179	Value of (organisational) cashable efficiency gains.	New PI from 2008	£2.6M	N/A	See commentary	The value of forecast efficiency gains for 2008/9 is £2.6M. Actual efficiency gains will be reported at half year.
<b>Quality</b>						
FSLI 6	Undertake the external assessment for 75% of the Council's schools undergoing the Financial Management Standard in Schools (FMSiS) accreditation process.	N/A	75 %	100%		Internal Audit completed the external assessment of all the Council's schools that were assessed against the Financial Management Standard in Schools in 2008/9.






## Progress against other performance indicators

Ref	Description	Actual 2007/8	Target 08/09	Actual 2008/09	Progress	Commentary
<b>Corporate Health</b>						
FSLI 2	Receive positive comment (annually) from the External Auditor relating to the financial standing of the Council and the systems of internal financial control.	Yes	Yes	Yes		<p>In the Annual Audit &amp; Inspection letter, published in March 2009, the Audit Commission stated: <u>Financial standing</u></p> <p><i>'The Council's arrangements for ensuring its financial standing is sound and effective. It has a history of setting balanced budgets and a proven track record of maintaining spending within overall budget with no major surprises in terms of over/under spends being reported'.</i></p> <p><u>Internal control</u></p> <p><i>'Risk management continues to develop and become embedded within the Council. Systems of internal control are generally good and arrangements for promoting and ensuring probity and propriety in business conduct are robust'.</i></p>
FSLI 3	Receive positive comment (annually) from the External Auditor concerning reliability of internal audit work.	Yes	Yes	Yes		<p>The Audit Commission's latest triennial review of Internal Audit concluded that:</p> <p><i>'Internal Audit is an important element of the control environment within the Council. Internal Audit provides an effective review of major elements of internal control and the quality of its work is good. It is proactive and its work covers the full range of the Council's activities. We are able to place reliance on the work of Internal Audit where it is relevant to our audit objectives'.</i></p>
FSLI 4	Maintain the Use of Resources scores achieved in CPA last year.	3 out of 4	Maintain 3 out of 4	3 out of 4		<p>The Audit Commission announced the results of the 2008 CPA Use of Resources assessment in December 2008 and the Council successfully maintained a score of 3 out of 4.</p>



### APPENDIX THREE – PROGRESS AGAINST OTHER PERFORMANCE INDICATORS (Financial Services)

## Progress against other performance indicators

Ref	Description	Actual 2007/8	Target 08/09	Actual 2008/09	Progress	Commentary
<b>Cost &amp; Efficiency</b>						
FSLI 5	Achieve investment returns for the year higher than benchmark	5.72%	4.69%	5.98%		Despite the downturn in the financial markets, interest on investments exceeded the benchmark rate by year-end. This was primarily due in the early part of the financial year to having secured advantageous fixed rates on a number of investments for reasonably long periods.
<b>Quality</b>						
FSLI 7	Maintain the proportion of all eligible schools buying back financial services.	83%	83%	83%		All existing SLA schools bought back from Financial Services for 2008/09.
<b>Service Delivery</b>						
FSLI 8	Issue 75% of draft audit reports within 15 working days of completing the audit fieldwork.	77%	75%	81%		Target achieved.

## Explanation of Traffic Light Symbols

The traffic light symbols are used in the following manner:

	<u><b>Objective</b></u>	<u><b>Performance Indicator</b></u>
<u><b>Green</b></u>	 Indicates that the <u>objective</u> has been <u>achieved</u> within the appropriate timeframe.	Indicates that the annual 08/09 <u>target has been achieved</u> or exceeded.
<u><b>Red</b></u>	 Indicates that <u>the objective</u> <u>has not been achieved</u> within the appropriate timeframe.	Indicates that the annual 08/09 <u>target has not been achieved</u>