

QUARTERLY MONITORING REPORT

DIRECTORATE: Corporate and Policy

SERVICE: Financial Services

PERIOD: Quarter 2 to period end 30th September 2009

1.0 INTRODUCTION

This monitoring report covers the Financial Services second quarter period up to period end 30th September 2009. It describes key developments and progress against all objectives and performance indicators for the service.

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

2.0 KEY DEVELOPMENTS

The Audit Commission has completed the audit of the Council's 2008/09 year-end accounts. They have provided an unqualified audit opinion and reported the findings from their audit to the Business Efficiency Board on 30 September 2009. The Statement of Accounts has now been published and is available, along with a brief summary version, on the Council's website.

The Audit Commission also reported the outcome of the 2009 CAA Use of Resources assessment to the Business Efficiency Board on 30th September 2009. The theme scores out of 4 were as follows;

Managing Finances – Score 3

(How effectively does the organisation manage its finances?)

Governing the Business – Score 3

(How well does the organisation govern itself and commission services?)

Managing Resources – Score 2

(How well does the organisation manage its natural resources, physical assets and people?)

These scores will be used by the Audit Commission to provide is an overall Use of Resources score which will also be incorporated into the Comprehensive Area Assessment. The formal announcement is expected in December.

The UK economy continues to be in recession and the Monetary Policy Committee maintained the Bank of England Base Rate at 0.5%

throughout the quarter.

During the quarter the Monetary Policy Committee increased the programme of asset purchases from private sector institutions (quantitative easing) by £50bn, bringing it to £175bn in total. This is intended to boost the supply of money and credit, but has yet to provide the stimulus for the UK economy. The Council will continue to act prudently so as to minimise financial risk during this uncertain period.

Inflation, as defined by the Consumer Prices Index (CPI), continued to reduce with the slowdown in the UK economy and particularly reductions in energy and food prices, falling from 1.8% in June 2009 to 1.1% in September 2009. It is therefore below the Bank of England's 2.0% target rate and is predicted to fall below 1.0% during 2009. The reduction in the Retail Price Index (RPI), which includes mortgage costs, has slowed marginally during the quarter from -1.6% in June 2009 to -1.4% in September 2009.

3.0 EMERGING ISSUES

The Council's Management Structures have now been finalised as part of the Efficiency Review, including the new Finance Department. Work is underway to develop staffing structures for the Department following the Efficiency Review's principles.

Work is on-going to prepare the Council's 2010/11 Budget on the basis of the new organisational structure. Support is being provided to Directorates in the development of growth and savings options, in line with the Medium Term Financial Strategy. The Strategy will be considered at its meeting on 19th November.

An assessment has been undertaken of the implications for the Council of major changes in accounting and financial disclosure requirements from 2009/10, with the adoption of International Financial Reporting Standards (IFRS). A project plan is currently being prepared on the basis of this assessment, which will be taken forward by the IFRS Working Group comprising representatives from across the Council. Compliance with IFRS will be a key requirement for the Use of Resources assessment from 2010 onwards and has implications for all Directorates, therefore the support of all Directorates will be essential for the successful adoption of IFRS.

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.

4.0 PROGRESS AGAINST KEY OBJECTIVES / MILESTONES

Total	4		4		0		0
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All key objectives / milestones for the Department are on track to be achieved and details are provided within Appendix 1.

4.1 PROGRESS AGAINST OTHER OBJECTIVES / MILESTONES

Total	2		2		0		0
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All other objectives / milestones for the Department are on track to be achieved and details are provided within Appendix 2.

5.0 SERVICE REVIEW

Following the Audit Commission report from their 2009 Use of Resources assessment, an action plan will be prepared which will be used as the basis for ensuring continued improvement across the Department.

The Internal Audit and Accountancy Divisions participate in benchmarking arrangements undertaken by the Chartered Institute of Public Finance (CIPFA) and other regional groups.

6.0 PROGRESS AGAINST KEY PERFORMANCE INDICATORS

Total	3		3		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 3.

6.1 PROGRESS AGAINST OTHER PERFORMANCE INDICATORS

Total	6		6		0		0
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All of the other performance indicators for the Department are on track to be achieved and details are provided within Appendix 4.

7.0 RISK CONTROL MEASURES

During the production of the 2009-10 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

8.0 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 2009 – 2010







9.0 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.

10.0 APPENDICES




Appendix 1- Progress against Key Objectives/ Milestones
Appendix 2- Progress against Other Objectives/ Milestones
Appendix 3- Progress against Key Performance Indicators
Appendix 4- Progress against Other Performance Indicators
Appendix 5- Explanation of traffic light symbols
Appendix 6- Financial Statement

Progress against key objectives/milestones



Service Plan Ref.	Objective	Key Milestone	Progress Quarter 2	Commentary
<u>FS O1</u>	Set the Revenue Budget, Capital Programme and recommend Council Tax	Report Medium Term Financial Strategy (MTFS) to Executive Board November 2009 . Report to Council in March 2010		On track to report Strategy to Executive Board in November 2009.
<u>FS O2</u>	To effect financial prudence by assisting managers to control their budgets by monitoring spending and providing timely and accurate financial reports	Provide monthly financial reports to budget holders within 8 days of month end. Provide quarterly financial monitoring reports to Operational Directors for inclusion in Performance Monitoring Reports. Provide quarterly monitoring reports on the overall budget to Executive Board Sub Committee.	  	Reports issued on schedule to date. Quarter 2 reports provided on schedule to Operational Directors. Q1 was reported to Executive Board Sub Committee on 10 th September 2009, showing an overall underspend against the revenue budget.
<u>FS O3</u>	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.	Complete the Draft Abstract of Accounts and report to the Business Efficiency Board by 30th June 2009 . Publish the Abstract of Accounts by 30th September 2009 .	 	The 2008/09 Abstract of Accounts was approved by the Business Efficiency Board on 30 th September 2009. The 2008/09 Abstract of Accounts was published on 30 th September 2009 along with a brief Summary of the accounts. Both documents have been made available via the Council's website, HDL, Libraries and information points.

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




Progress against key objectives/milestones

Service Plan Ref.	Objective	Key Milestone	Progress Quarter 2	Commentary
<u>FS O6</u>	Provide an independent and objective opinion of the Council's control environment by evaluating its effectiveness in achieving the Council's objectives.	<p>Obtain approval from the Business Efficiency Board for the Internal Audit Plan for 2009/10 June 2009.</p> <p>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 quarterly progress reports to Business Efficiency Board.</p> <p>Provide an overall opinion on the Council's system of internal control in the Internal Audit Annual Report (2008/9) to the Business Efficiency Board June 2009.</p>	  	<p>The Internal Audit Plan for 2009/10 was approved by the Business Efficiency Board at its meeting on 25 February 2009.</p> <p>At the end of quarter 2 of 2009/10, 50.1 per cent of the planned audit days for the year had been delivered. The second quarterly progress report will be presented to the Business Efficiency Board at its November meeting.</p> <p>An overall opinion on the Council's system of internal control was provided in the Internal Audit Annual Report (2008/9), which was presented to the Business Efficiency Board on 3 June 2009.</p>



Progress against key objectives/milestones

Service Plan Ref.	Objective	Key Milestone	Progress Quarter 2	Commentary
FS O4	<p><i>Make best use of cash resources available to the Council and meet its statutory responsibility by setting, implementing and monitoring the Treasury Management Policy</i></p>	<p><i>Establish treasury Management Policy and report to the Executive Board Sub-Committee by April 2009.</i></p> <p><i>Provide monitoring reports to the Executive Board Sub-Committee on a quarterly basis.</i></p>		<p><i>The 2009/10 Treasury Management Policy was approved by Executive Board on 12th February 2009.</i></p> <p><i>A review of the 2008/09 year and the 2009/10 Quarter 1 were reported to Executive Board Sub Committee on 10th September 2009.</i></p>
FS O5	<p><i>Ensure that the Capital Programme is affordable, prudent, and sustainable by setting and monitoring prudential borrowing indicators.</i></p>	<p><i>Report prudential indicators to Council in March 2009.</i></p> <p><i>Provide monitoring reports to the Executive Board Sub-Committee on a quarterly basis</i></p>		<p><i>Prudential Indicators for 2009/10 were approved by Full Council on 4th March 2009.</i></p> <p><i>Quarter 1 capital spending was reported to Executive Board Sub Committee on 10th September 2009, showing 57% of planned spending at that stage.</i></p>




Progress against key performance indicators

Ref	Description	Actual 2008/9	Target 09/10	Quarter 2	Progress	Commentary
Corporate Health						
FSLI 1	Receive an unqualified audit opinion on the accounts.	Yes	Yes	Yes		The Audit Commission provided an unqualified opinion on the 2008/09 accounts and reported the findings from their audit to the Business Efficiency Board on 30 th September 2009.
Cost & Efficiency						
NI 179	Value of (organisational) cashable efficiency gains.	£2.65m	£3.39M	N/A		The Council's forecast of cumulative efficiency gains for 2009/10 was submitted by the deadline of 23 October 2009. Details of the actual savings achieved are to be submitted by 23 July 2010.
Quality						
FSLI 6	Undertake the external assessment for 75% of the Council's schools undergoing the Financial Management Standard in Schools (FMSiS) accreditation process.	100%	100%	100%		All schools undergoing the FMSiS accreditation process in 2009/10 have requested Internal Audit to undertake the external assessment.

Progress against other performance indicators




Ref	Description	Actual 2008/9	Target 09/10	Quarter 2	Progress	Commentary
Corporate Health						
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		In the 2008/9 Annual Governance Report, the Audit Commission commented: <i>'The Council continues to maintain a sound system of internal control'.</i>
FSLI 3	Receive positive comment (annually) from the External Auditor concerning reliability of internal audit work.	Yes	Yes	Yes		In the 2008/9 Annual Governance Report, the Audit Commission commented that the Council's system of internal control is supported by: <i>'... a strong IA function that meets the required CIPFA standards. The work of IA is well supported and the Chief Executive receives copies of all IA reports. We have evidence of the Chief Executive highlighting issues raised in IA reports at the Management Team meetings and asking the relevant director for an update on the issue'.</i>
FSLI 4	Maintain the Use of Resources scores achieved in CPA last year.	3 out of 4	3 out of 4	TBC	TBC	The Use of Resources score for 2008/9 is yet to be published.

Progress against other performance indicators

Ref	Description	Actual 2008/9	Target 09/10	Quarter 2	Progress	Commentary
Cost & Efficiency						
FSLI 5	<i>Achieve investment returns for the year higher than benchmark</i>	5.98%	0.45%	5.00%		Despite continued low rates of interest, the council's investment interest is currently significantly above the benchmark, having secured advantageous fixed rates on a number of investments during 2008. However, these deals will come to an end during the second half of the year, at which point actual rates achieved will come more into line with the benchmark.
Quality						
FSLI 7	<i>Maintain the proportion of all eligible schools buying back financial services.</i>	83%	83%	83%		All existing SLA schools have chosen to buy-back from Financial Services for 2009/10.
Service Delivery						
FSLI 8	<i>Issue 75% of draft audit reports within 15 working days of completing the audit fieldwork.</i>	81%	75%	73.8%		The target of issuing 75% of draft audit reports within 15 working days of completing the audit fieldwork is expected to be achieved by year-end.

Explanation of Traffic Light Symbols

The traffic light symbols are used in the following manner:

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

FINANCIAL SERVICES

Revenue Budget as at 30th September 2009

	Annual Revised Budget	Budget To Date	Actual To Date	Variance To Date (overspend)	Actual Including Committed Items
	£'000	£'000	£'000	£'000	£'000
<u>Expenditure</u>					
Employees	1,527	763	741	22	748
Premises	104	52	52	0	52
Supplies & Services	98	24	19	5	20
Transport	44	22	24	(2)	24
Support Services	263	132	132	0	132
Total Expenditure	2,036	993	968	25	976
<u>Income</u>					
S.L.A. to Schools	-158	-96	-96	0	-96
Support Service Recharges	-1,935	-967	-967	0	-967
Total Income	-2,093	-1,063	-1,063	0	-1,063
Net Expenditure	-57	-70	-95	25	-87

Comments on the above figures:

In overall terms, spending is below the budget profile at the end of the first quarter. This is mainly due to staff vacancies within the Internal Audit Division. The Department's overall spending is expected to be within budget by the year-end.