

QUARTERLY MONITORING REPORT

DIRECTORATE: Corporate and Policy

SERVICE: Financial Services

PERIOD: Quarter 3 to period end 31st December 2009

1.0 INTRODUCTION

This monitoring report covers the Financial Services third quarter period up to period end 31st December 2009. It describes key developments and progress against key objectives and performance indicators for the service.

The way in which RAG (Red, Amber and Green) symbols have been used to reflect progress is explained within Appendix 3

2.0 KEY DEVELOPMENTS

The UK economy showed growth of 0.1% during the quarter, having contracted for the six previous quarters the longest period since quarterly figures were first recorded in 1955.

The Monetary Policy Committee maintained the Bank of England Base Rate at 0.5% throughout the quarter and increased the programme of asset purchases from private sector institutions (quantitative easing) by £25bn, bringing it to £200bn in total. This is intended to boost the supply of money and credit in order to stimulate 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), rose sharply during the quarter from 1.1% in September 2009 to 2.9% in December 2009. However, this was largely as a result of the sharp reduction in inflation twelve months previously, against which the index is compared. CPI is therefore now above the Bank of England's 2.0% target rate.

The Retail Price Index (RPI), which includes mortgage costs, similarly increased sharply during the quarter from -1.4% in September 2009 to 2.4% in December 2009. The increase in RPI was also assisted by a rise in mortgage interest costs compared to a fall twelve months previously.

The Medium Term Financial Strategy (MTFS) was considered by Executive Board on 19th November, which set out the expected funding gap of around £6-£8m in each year of the three year period (2010-2013) and the key assumptions upon which this was based. The

Council's 2010/11 base budget has been prepared within the framework of the MTFS and draft budget proposals have been consulted upon for recommendation to Full Council on 3rd March 2010.

The provisional Local Government Finance Settlement was announced on 26th November 2009 which provided the Council with a 2.4% increase in Formula Grant. This is in line with the indicative figures provided in last year's Settlement and therefore is in line with the MTFS, but still provides the Council with a very challenging Settlement.

On 9th December 2009 the Chancellor presented his Pre-Budget Report which included the following;

- Confirmation that that planned levels of overall Government funding for 2010/11 would remain unchanged
- Public sector expenditure will increase by an average of 0.8% over and above inflation from 2011/12 until 2014/15
- NHS and education expenditure will increase by more than other areas for 2011/12 and 2012/13
- £12bn of savings will be found through "smarter government" and £5bn from targeting and prioritising spending

The Audit Commission announced the results of the 2008/09 Use of Resources assessment during December 2009, as part of the Comprehensive Area Assessment (CAA). Halton was again assessed as performing well with an overall score of 3 out of 4. Only three single tier Council's nationally received a higher overall score and only Tameside MBC within the North West. An action plan has been prepared and is being used to ensure continued improvement.


3.0 EMERGING ISSUES

The structure of the Finance Department has been finalised as part of the Efficiency Review and work is underway to implement the new Finance Centre of Excellence structure.

Work is on-going to assess 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 detailed implementation plan is currently being prepared and a report will be presented to the Business Efficiency Board on 20th January 2010 outlining the requirements 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.

5.0 SERVICE REVIEW

Following the Audit Commission report from their 2008/09 Use of Resources assessment, an action plan has been prepared which is being 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 2.

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 Key Performance Indicators Appendix 3- Explanation of RAG symbols Appendix 4- Financial Statement

Service Plan Ref.	Objective	Key Milestone	Progress Quarter 3	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	 	The Strategy was reported to Executive Board in 19 th November 2009. On track to report to Council on 3 rd March 2010.
<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. Q2 was reported to Executive Board Sub Committee on 3 rd December 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. The 2008/09 Abstract of Accounts was published on 30 th September 2009 along with a summary of the accounts. Both documents have been made available via the Council's website, HDL, Libraries and information points.

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

Service Plan Ref.	Objective	Key Milestone	Progress Quarter 3	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></p> <p></p> <p></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 3 of 2009/10, 73.6 per cent of the planned audit days for the year had been delivered.</p> <p>The third quarterly progress report was presented to the Business Efficiency Board on 20 January 2010.</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>




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

Ref	Description	Actual 2008/9	Target 09/10	Quarter 3	Progress	Commentary
Corporate Health						
<u>FSLI 1</u>	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						
<u>NI 179</u>	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						
<u>FSLI 6</u>	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.

**APPENDIX 2 – PROGRESS AGAINST KEY PERFORMANCE INDICATORS
(Financial Services)**

Explanation of RAG Symbols

Application of RAG symbols:

		<u>Objective</u>	<u>Performance Indicator</u>
<u>Green</u>		Indicates that the milestone/objective <u>will</u> be achieved within the identified timeframe.	Indicates that the annual target <u>will</u> , or has, been achieved or exceeded.
<u>Amber</u>		Indicates that at this stage it is <u>uncertain</u> as to whether the milestone/objective will be achieved within the identified timeframe.	Indicates that at this stage it is either <u>uncertain</u> as to whether the annual target will be achieved.
<u>Red</u>		Indicates that the milestone/objective <u>will not</u> , or has not, been achieved within the identified timeframe.	Indicates that the annual target <u>will not</u> , or has not, been achieved.

FINANCIAL SERVICES

Revenue Budget as at 31st December 2009

	Annual Revised Budget £'000	Budget To Date £'000	Actual To Date £'000	Variance To Date (overspend) £'000	Actual Including Committed Items £'000
Expenditure					
Employees	1,527	1,145	1,101	44	1,103
Premises	104	78	78	0	78
Supplies & Services	98	43	47	(4)	61
Transport	44	33	37	(4)	37
Support Services	261	196	195	1	195
Total Expenditure	2,034	1,495	1,458	37	1,474
Income					
Schools SLA	-158	-129	-125	(4)	-125
Support Service Recharges	-1,823	-1,367	-1,367	0	-1,367
Total Income	-1,981	-1,496	-1,492	(4)	-1,492
Net Expenditure	53	-1	-34	33	-18

Comments on the above figures:

In overall terms spending is marginally below the budget profile at the end of the third quarter. This is mainly due to staff vacancies within the Internal Audit Division. It is anticipated that the Department's overall spending will be marginally below budget by the year-end.