

QUARTERLY MONITORING REPORT

DIRECTORATE: Corporate and Policy

SERVICE: Financial Services

PERIOD: Quarter 4 to period end 31st March 2010

1.0 INTRODUCTION

This monitoring report covers the Financial Services fourth quarter period up to period end 31st March 2010. 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 2009 / 10 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 the Red, Amber and Green, (RAG), symbols have been used to reflect progress is explained within Appendix 5

2.0 KEY DEVELOPMENTS

The UK economy showed growth of 0.2% during the quarter, however, this was weaker than the 0.4% predicted by many economists.

The Monetary Policy Committee maintained the Bank of England Base Rate at 0.5% throughout the quarter and maintained the programme of asset purchases from private sector institutions (quantitative easing) at £200bn. 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 during the quarter from 2.9% in December 2009 to 3.4% in March 2010. However, this was largely as a result of the reduction in inflation twelve months previously, against which the index is compared. CPI therefore continues to be above the Bank of England's 2.0% target rate.

The Retail Price Index (RPI), which includes mortgage costs, increased sharply during the quarter from 2.4% in December 2009 to 4.4% in March 2010. This was largely due to a rise in mortgage interest costs compared to a fall twelve months previously.

The final Local Government Finance Settlement was announced on 20th January 2010, without any changes to Halton's Settlement compared to the provisional figures.

The Council's 2010/11 Revenue Budget, Capital Programme and Council Tax were approved by Full Council on 3rd March 2010.

On 24th March 2010 the Chancellor presented his 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
- Commitments to protect education, health and numbers of police officers.
- The creation of a £100m fund for local road repairs.
- £11bn of savings will be found through "smarter government".
- discretion for local authorities over £1.3bn of ring-fenced funding and a reduction in the number of funding streams.
- Continued support for tackling youth unemployment through extending Young Person's Guarantee and Future Jobs Fund.

The Audit Commission reported their Audit Opinion Plan to the Business Efficiency Board on 10th March 2010. This set out the audit work to be undertaken in relation to the 2009/10 year-end financial statements and the basis for the Commission's fees.

Preparations have been successfully undertaken during the quarter to establish the new Finance Department Centre of Excellence from 1st April 2010, as part of the Efficiency Review.

Work is underway, with assistance from all Directorates, to prepare the Council's 2009/10 year-end accounts in accordance with regulatory requirements and statutory deadlines.

Information has been provided to the Audit Commission, to assist with the 2010 CAA Use of Resources assessment, the results of which will be reported to the Business Efficiency Board on 29th September 2010.

The Department is involved in the on-going delivery of the Efficiency Programme workstreams.

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

Work is on-going in respect of the implementation of International Financial Reporting Standards (IFRS), which will provide major changes in accounting and financial disclosure requirements from 2010/11. In order to achieve this, the 2009/10 final accounts must first be restated onto an IFRS basis and it is intended to complete this by 30th September 2010. Areas of IFRS work currently underway include:

- all leases and any similar contracts operated by the Council, including schools, are being identified where the Council is both lessor and lessee. This is necessary to enable the agreements to be reviewed as the definitions of finance and operating leases have been amended under IFRS, which may have an impact in terms of their accounting treatment.
- the total amount of annual leave and flexible working hours carried forward by staff, including teachers, at 31st March 2009 and 31st March 2010 is currently being identified. This will be costed and a provision made in the accounts, in order to reflect the cost of the time owed by the Council to the individuals.
- the bases used for valuation of Property, Plant and Equipment will change significantly under IFRS. From 2010/11 onwards any property revaluations will require separate valuations for major "components" which may have a significantly different lifespan eg. lifts, roofs, windows, walls, boilers. During 2009/10 Property Services have begun to identify and undertake valuations on a component basis in anticipation of the forthcoming IFRS requirements, as part of the rolling revaluation process.




Work is also beginning on re-letting the Council's cash collection and insurance contracts which are due to expire in 2010/11.

4.0 PROGRESS AGAINST KEY OBJECTIVES / MILESTONES

Total	10		10		0		0
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All four of the objectives / milestones for the Department have been achieved and details are provided within Appendix 1.

4.1 PROGRESS AGAINST OTHER OBJECTIVES / MILESTONES

Total	4		4		0		0
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All other objectives / milestones for the Department have been achieved and details are provided within Appendix 2.

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 three 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		5		0		1
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The remaining six performance indicators for the Department have been 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 RAG System

Progress against key objectives/milestones




Service Plan Ref.	Objective	Key Milestone	Progress Quarter 4	Commentary
<u>FS 01</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. The Revenue Budget, Capital Programme and Council Tax were approved by Council on 3 rd March 2010.
<u>FS 02</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 all issued on schedule. Quarter 3 reports were provided on schedule to Operational Directors. Quarter 3 was reported to Executive Board Sub Committee on 4 th March 2010, showing an overall underspend against the revenue budget.
<u>FS 03</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 .		The 2008/09 Abstract of Accounts was approved by the Business Efficiency Board.

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




Progress against other objectives/milestones

Service Plan Ref.	Objective	Key Milestone	Progress Quarter 4	Commentary
FS O4	<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><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></p> <p></p>	<p><i>The 2009/10 Treasury Management Policy was approved by Executive Board on 12th February 2009.</i></p> <p><i>Quarter 3 was reported to Executive Board Sub Committee on 28th January 2010.</i></p>
FS O5	<i>Ensure that the Capital Programme is affordable, prudent, and sustainable by setting and monitoring prudential borrowing indicators.</i>	<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></p> <p></p>	<p><i>Prudential Indicators for 2009/10 were approved by Full Council on 4th March 2009.</i></p> <p><i>Quarter 3 capital spending was reported to Executive Board Sub Committee on 4th March 2010, showing 78% of planned spending at that stage.</i></p>




Progress against key performance indicators

Ref	Description	Actual 2008/9	Target 09/10	Quarter 4	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	£3.3m	TBC		The NI179 return for 2009/10 is to be submitted in July. The forecast value of cashable efficiency gains is expected to be achieved.
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 assessed against the FMSiS in 2009/10 elected to use Internal Audit to undertake the assessment.




Progress against other performance indicators

Ref	Description	Actual 2008/9	Target 09/10	Quarter 4	Progress	Commentary
Corporate Health						
FSLI 2	<i>Receive positive comment (annually) from the External Auditor relating to the financial standing of the Council and the systems of internal financial control.</i>	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	<i>Receive positive comment (annually) from the External Auditor concerning reliability of internal audit work.</i>	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	<i>Maintain the Use of Resources scores achieved in CPA last year.</i>	3 out of 4	3 out of 4	3 out of 4		The Council has maintained its score of 3 out of 4 in the Use of Resources assessment for 2008/9.

Progress against other performance indicators

Ref	Description	Actual 2008/9	Target 09/10	Quarter 4	Progress	Commentary
Cost & Efficiency						
FSLI 5	<i>Achieve investment returns for the year higher than benchmark</i>	5.98%	0.42%	4.00%		Despite continued low rates of interest, the Council's investment interest exceeded the benchmark, having secured advantageous fixed rates on a number of investments during 2008. However, as these deals now come to an end the actual rates achieved in future will be more in 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%	72.9%		Performance against this indicator dropped slightly below target in quarter four. This was primarily a result of the impact of the Efficiency Programme.

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.