

# QUARTERLY MONITORING REPORT

**DIRECTORATE:** Corporate and Policy

**SERVICE:** Financial Services

**PERIOD:** Quarter 2 to period end 30<sup>th</sup> September 2008

## 1.0 INTRODUCTION

This Monitoring Report covers the Financial Services second quarter period up to period end 30<sup>th</sup> September 2008. 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 5.

## 2.0 KEY DEVELOPMENTS

The Audit Commission has completed the audit of the Council's 2007/08 year-end accounts. They have provided an unqualified audit opinion and reported the findings from their audit to the Business Efficiency Board on 25 September 2008. The Statement of Accounts has now been published and is available on the Council's website.

## 3.0 EMERGING ISSUES

There continues to be turmoil within global financial markets. Action is now being taken by leading governments to inject stability into the banking system. The Council did not hold any investments with the Icelandic banks which collapsed recently and 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), has risen from 4.7% in August to 5.2% in September, driven by continuing rises in food, utility and fuel prices. This compares to the Government's inflation target of 2.0%. Analysts predict that the peak of inflation could now have been reached and that prices will begin to fall over coming months particularly due to reductions in oil prices and with the slowdown in consumer spending. The impact of inflation upon the Council's costs will be considered as part of the Medium Term Financial Strategy to be reported to Executive Board in November.

Work is underway to prepare the Council's 2009/10 Base Budget and support is being provided to Directorates in the development of growth and savings options.

The Audit Commission has completed the 2008 CPA Use of Resources assessment and are expected to publish the results in December.

The Government has issued a consultation on proposals for changes to the Local Authority Business Rates Growth Incentives Scheme (LABGI). The Scheme is intended to provide financial incentives to encourage economic regeneration.

The Council's efficiency partner KPMG will present the potential "efficiency themes" to a Members seminar following the October Council meeting.

The Government has issued a consultation on the inclusion of efficiency information within Council Tax leaflets. The Council is responding to the consultation as part of a joint response from the Merseyside Councils.

By 24 October, the Council is required to submit a return to the DCLG setting out its forecast 2008/9 value for money gains as one of the 198 indicators in the new National Indicator set. A further return will be submitted in July 2009 stating the actual cumulative gains achieved. Collectively, local government is expected to achieve annual cash-releasing value for money gains of 3 per cent. However, there are no specific targets for individual councils.

#### 4.0 PROGRESS AGAINST KEY OBJECTIVES / MILESTONES

<b>Total</b>	<b>5</b>		<b>5</b>		<b>0</b>		<b>0</b>
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All of the key objectives / milestones for the Department are on track and additional details are provided within Appendix 1.

#### 5.0 PROGRESS AGAINST OTHER OBJECTIVES / MILESTONES




<b>Total</b>	<b>9</b>		<b>9</b>		<b>0</b>		<b>0</b>
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All of the remaining objectives / milestones for the Department are on track and additional details are provided within Appendix 2.

## 6.0 SERVICE REVIEW




Following the CPA Use of Resources assessment, an action plan was developed and is being used as the basis for continued improvement across the Department. This will also be updated in preparation for the changes to the assessment from 2009, when it becomes a Comprehensive Area Assessment and is more outcome rather than process based.

## 7.0 PROGRESS AGAINST KEY PERFORMANCE INDICATORS

<b>Total</b>	<b>2</b>		<b>2</b>		<b>0</b>		<b>0</b>
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Both key performance indicators for the Department are on track to be achieved. A target for the remaining indicator, NI179 (Value of cashable efficiency gains) has not yet been determined and therefore, it is not possible to apply a traffic light at this stage. Additional details are provided within Appendix 3.

## 7.1 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 performance indicators for the Department are on track to be achieved and additional details are provided within Appendix 4.





## 8.0 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 – Financial Statement  
Appendix 6 – Explanation of traffic light symbols

## Progress against key objectives


Service Plan Ref.	Objective	Key Milestone	Progress Quarter 2	Commentary
FS 01	Set the Revenue Budget, Capital Programme and recommend Council Tax	Report Medium Term Financial Forecast to Executive Board <b>November 2008.</b>		On track to report Strategy to Executive Board in November 2008.
		Report to Council in March <b>2009</b>		On track to report Strategy to Council in March 2009.
FS 02	To effect financial prudence by assisting managers to control their budgets by monitoring spending and providing timely and accurate financial reports	Provide <b>monthly</b> financial reports to budget holders within 8 days of month end ( <b>CA</b> – Chief Accountant).		Reports issued on schedule to date.
		Provide quarterly financial monitoring reports to Operational Directors for inclusion in Performance Monitoring Reports ( <b>GA</b> – Group Accountant).		Quarter 2 reports provided on schedule to Operational Directors.
		Provide quarterly monitoring reports on the overall budget to Executive Board Sub Committee. ( <b>CA</b> )		Quarter 1 was reported to Executive Board Sub Committee on 11 <sup>th</sup> September 2008, showing that expenditure to date was below the revenue budget profile.

## Progress against other Objectives / milestones

Service Plan Ref.	Objective	Key Milestone	Progress Quarter 2	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 30<sup>th</sup> June 2008.</i></p> <p><i>Publish the Abstract of Accounts by 30<sup>th</sup> September 2008.</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 April 2008.</i></p> <p><i>Provide monitoring reports to the Executive Board Sub-Committee on a quarterly basis.</i></p>	  	<p>The Treasury Management Policy was approved by Executive Board Sub-Committee on 20 March 2008.</p> <p>Quarter 1 was reported to Executive Board Sub Committee on 25 July 2008. The half year position will be reported on 6<sup>th</sup> November 2008.</p>



Service Plan Ref.	Objective	Key Milestone	Progress Quarter 2	Commentary
FS O5	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 1 capital spending was reported to Executive Board Sub Committee on 11 September 2008, showing 87% of planned spending at that stage.</p>
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>The 2008/9 Internal Audit Plan was approved by the Business Efficiency Board on 27 February 2008.</p> <p>The first quarter Internal Audit progress report was approved by the Business Efficiency Board on 25 September. The second quarter report is due to be presented on 12 November.</p> <p>Internal Audit is on target to complete sufficient audit work to ensure that a confident, evidence based opinion can be provided on the Council's control environment at the end of the financial year.</p>

**APPENDIX TWO – PROGRESS AGAINST ‘OTHER’ OBJECTIVES/ MILESTONES  
(Financial Services)**

Service Plan Ref.	Objective	Key Milestone	Progress Quarter 2	Commentary
<b>FS 06 con'td</b>	Provide an independent and objective opinion of the Council's control environment by evaluating its effectiveness in achieving the Council's objectives.	<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>		An overall opinion on the Council's system of internal control was provided in the Internal Audit Annual Report which was approved by the Business Efficiency Board on 4 June 2008.




**APPENDIX TWO – PROGRESS AGAINST ‘OTHER’ OBJECTIVES/ MILESTONES  
(Financial Services)**




## Progress against 'Key' Performance Indicators

Ref	Description	Actual 2007/8	Target 08/09	Quarter 2	Progress	Commentary
<b>Corporate Health</b>						
<b><u>FSLI 1</u></b>	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>						
<b><u>NI 179</u></b>	Value of (organisational) cashable efficiency gains	New PI from 2008	TBA	TBA	N/a	The Council is required to submit a forecast of the efficiency gains expected to be achieved in 2008/9 by 24 October 2008. A further return has to be submitted in July 2009 stating the actual value of gains achieved in 2008/9.
<b>Quality</b>						
<b><u>FSLI 6</u></b>	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%		All schools undergoing the assessment this year have confirmed that they will be using the services of the Internal Audit Division in the accreditation process.



**Progress against 'other' Performance Indicators**

Ref	Description	Actual 2007/8	Target 08/09	Quarter 2	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	See commentary		The Audit Commission's Annual Audit and Inspection Letter is yet to be published.
FSLI 3	Receive positive comment (annually) from the External Auditor concerning reliability of internal audit work.	Yes	Yes	Yes		The recent triennial review of Internal Audit concluded that:  <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>
FSLI 4	Maintain the Use of Resources scores achieved in CPA last year.	3 out of 4	Maintain 3 out of 4	See commentary		The Audit Commission has completed the 2008 CPA Use of Resources assessment and is expected to publish the results in December.

Ref	Description	Actual 2007/8	Target 08/09	Quarter 2	Progress	Commentary
<b>Cost &amp; Efficiency</b>						
FSLI 5	Achieve investment returns for the year higher than benchmark	5.72%	5.05%	5.97%		The second quarter has seen a return above benchmark, having secured advantageous rates on a number of investments and for slightly longer 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%	76%		41 of the 54 draft reports finalised in 2008/9 were issued within 15 working days of completing the audit fieldwork.

**APPENDIX FOUR – PROGRESS AGAINST ‘OTHER’ PERFORMANCE INDICATORS  
(Financial Services)**

## FINANCIAL SERVICES




### Revenue Budget as at 30<sup>th</sup> September 2008

	Annual Revised Budget	Budget To Date	Actual To Date	Variance To Date (overspend)	Actual Including Committed Item
	£'000	£'000	£'000	£'000	£'000
<b><u>Expenditure</u></b>					
Interest Payments	5,128	0	0	0	0
Contribution to Capital	300	0	0	0	0
Contingency	2,000	0	0	0	0
Priorities Fund	176	0	0	0	0
Precepts & Levies	150	0	0	0	0
Capital Financing	2,621	0	0	0	0
Support Services	604	0	0	0	0
Bank Charges	52	26	21	5	21
Audit Fees	260	130	104	26	104
<b>Total Expenditure</b>	<b>11,291</b>	<b>156</b>	<b>125</b>	<b>31</b>	<b>125</b>
<b><u>Income</u></b>					
External Interest	-3,005	0	0	0	0
Asset Rentals	-19,537	0	0	0	0
Dividends Receivable	-100	0	0	0	0
<b>Total Income</b>	<b>-22,642</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Expenditure</b>	<b>-11,351</b>	<b>156</b>	<b>125</b>	<b>31</b>	<b>125</b>

### Comments on the above figures:

In overall terms spending is below the budget profile at half year. This is mainly due to staff vacancies within the Internal Audit Division. Net expenditure is however expected to be in line with the overall Departmental budget at the end of the year.

The traffic light symbols are used in the following manner:

	<u>Objective</u>	<u>Performance Indicator</u>
<b><u>Green</u></b>	 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> .
<b><u>Amber</u></b>	 Indicates that it is <u>unclear</u> at this stage, due to a lack of information or a key milestone date being missed, <u>whether the 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.
<b><u>Red</u></b>	 Indicates that it is <u>highly likely or certain that the objective will not be achieved</u> within the appropriate timeframe.	Indicates that the <u>target will not be achieved</u> unless there is an intervention or remedial action taken.