

QUARTERLY MONITORING REPORT

DIRECTORATE: Corporate and Policy

SERVICE: Financial Services

PERIOD: Quarter 3 to period end 31st December 2008

1.0 INTRODUCTION

This Monitoring Report covers the third quarter period up to 31st December 2008. It describes key developments and progress against key 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

There continues to be a downturn within global financial markets and the UK economy has now moved into recession. The action taken by the Government has injected stability into the banking system, but has not yet provided the necessary 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 Bank of England Base Rate has been reduced markedly by the Monetary Policy Committee, from 5.0% in September 2008 to 1.5% on 8th January 2009. This is the lowest rate since the Bank of England was founded in 1694.

Inflation, as defined by the Consumer Prices Index (CPI), has reduced from 5.2% in September 2008 to 3.1% in December 2008. It is expected to continue to fall over coming months, particularly due to reductions in oil prices and with the slowdown in consumer spending.

The impact of interest rates changes and inflation upon the Council's costs have been considered as part of the Medium Term Financial Strategy 2009/12 (MTFS) which was reported to Executive Board on 20th November 2008, setting out the expected funding gap of about £6m in each year of the three year period and the key assumptions upon which this was based. The Council's 2009/10 base budget has been prepared within the framework of the MTFS and draft budget proposals are currently being consulted upon, for recommendation to Full Council on 4th March 2009.

On 24th November 2008 the Chancellor presented his Pre-Budget Report which included the following measures designed to stimulate the UK economy;

- a reduction in the standard rate of VAT to 15% until 31st December 2009
- bringing forward £3bn of capital spending from 2010-11 to 2008-09 and 2009-10 across areas including schools, social housing and energy efficiency
- a £5bn increase in the public sector efficiency target making a total of £35bn to be achieved by 2010-11
- an increase of 0.5% in the employee and employers national insurance rates from April 2011

The provisional Local Government Finance Settlement was announced on 26th November 2008, which provided the Council with a 2.8% 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.

The Audit Commission announced the results of the 2007 CPA Use of Resources assessment in December 2008. Halton was again assessed as performing well and consistently above minimum requirements (an overall score of 3 out of 4). An action plan has been prepared and is being used to ensure continued improvement and in anticipation of a further toughening of the assessment process for 2009 with the introduction of the Comprehensive Area Assessment.

Potential "efficiency themes" identified by the Council's efficiency partner KPMG, were presented to Members on 22nd October 2008. Work is now underway to develop a detailed delivery strategy in respect of these themes.

The Government has issued new requirements for the inclusion of efficiency information within Council Tax leaflets from 2009/10.

3.0 EMERGING ISSUES



The final Local Government Finance Settlement is due to be announced in late January 2009, but is not expected to differ significantly from the provisional Settlement.

The global credit crunch is having a significant impact upon the Council's ability to finance its capital programme, due to the reduction in availability and amount of capital receipts. It is also having an impact upon the revenue budget due to the reduction in investment income, although some investments have been fixed which will mitigate losses in the short term.

Work continues to support 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.



Planning will begin shortly for the preparation of the Council's 2008/09 year-end accounts. In addition, work is underway to identify the implications of major accounting changes required during 2009/10 with the public sector's adoption of International Financial Reporting Standards (IFRS).

4.0 PROGRESS AGAINST KEY OBJECTIVES / MILESTONES

Total	2		2		0		0
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Both of the key objectives for the service have progressed as planned and additional details are provided within Appendix 1.

5.0 PROGRESS AGAINST OTHER OBJECTIVES / MILESTONES

Total	4		4		0		0
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All of the remaining objectives for the service are progressing as planned and none require reporting by exception at this time.

6.0 SERVICE REVIEW

Following the CPA Use of Resources assessment, an action plan has been developed which is being used as the basis for ensuring continued improvement across the Department and in anticipation of a further toughening of the assessment process for 2009 with the introduction of the Comprehensive Area Assessment.

7.0 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 2.

7.1 PROGRESS AGAINST OTHER PERFORMANCE INDICATORS

Total	6		6		0		0
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The remaining six performance indicators for the Department are on track to be achieved and none require reporting by exception at this time.



8.0 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.




9.0 APPENDICES

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

Progress against objectives / milestones

Service Plan Ref.	Objective	Key Milestone	Progress Quarter 3	Commentary
FS O1	Set the Revenue Budget, Capital Programme and recommend Council Tax	<p>Report Medium Term Financial Strategy to Executive Board November 2008.</p> <p>Report to Council in March 2009</p>		<p>The MTFS was reported to Executive Board on 20th November 2008.</p> <p>On track to report to Council on 4th 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 monthly financial reports to budget holders within 8 days of month end (CA – Chief Accountant).</p> <p>Provide quarterly financial monitoring reports to Operational Directors for inclusion in Performance Monitoring Reports (GA – Group Accountant).</p> <p>Provide quarterly monitoring reports on the overall budget to Executive Board Sub Committee. (CA)</p>		<p>Reports issued on schedule to date</p> <p>Quarter 2 reports were provided on schedule to Operational Directors.</p> <p>Quarter 2 was reported to Executive Board Sub Committee on 6th November 2008, showing that expenditure to date was below the revenue budget profile.</p>

Progress against key performance indicators

Ref	Description	Actual 2007/8	Target 08/09	Quarter 3	Progress	Commentary
Corporate Health						
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.
Cost & Efficiency						
NI 179	Value of (organisational) cashable efficiency gains.	New PI from 2008	TBA	See commentary		The value of forecast efficiency gains for 2008/9 is £2.6M. Performance against this target is due to be reported in July 2009.
Quality						
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%		All schools undergoing the assessment this year have confirmed that they will be using Internal Audit Division to carry out the accreditation process.

FINANCIAL SERVICES




Revenue Budget as at 31st December 2008

	Annual Revised Budget £'000	Budget To Date £'000	Actual To Date £'000	Variance To Date (overspend) £'000	Actual Including Committed Items £'000
Expenditure					
Employees	1,503	1,126	1,054	72	1,058
Premises	99	0	0	0	0
Supplies & Services	98	40	30	10	31
Transport	47	36	34	2	34
Support Services	249	0	0	0	0
Total Expenditure	1,996	1,202	1,118	84	1,123
Income					
Schools SLA	-143	-119	-127	8	-127
Support Service	-1,836	0	0	0	0
Recharges					
Other Income	0	0	-1	1	-1
Total Income	-1,979	-119	-128	9	-128
Net Expenditure	17	1,083	990	93	995

Comments on the above figures:

In overall terms spending is below the budget profile at the end of quarter 3. This is mainly due to a number of vacant staff posts within the Internal Audit Division, some of which have now been recruited to. However, net expenditure will still be below 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>
<u>Green</u>	 <p>Indicates that the <u>objective is on course to be achieved</u> within the appropriate timeframe.</p>	<p>Indicates that the <u>target is on course to be achieved</u>.</p>
<u>Amber</u>	 <p>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.</p>	<p>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.</p>
<u>Red</u>	 <p>Indicates that it is <u>highly likely or certain that the objective will not be achieved</u> within the appropriate timeframe.</p>	<p>Indicates that the <u>target will not be achieved</u> unless there is an intervention or remedial action taken.</p>