AGENDA ITEM:

REPORT TO:	**MERSEYSIDE FIRE & RESCUE AUTHORITY**
DATE:	**04 DECEMBER 2012**
REPORT NO.	**CFO/160/12**
REPORTING OFFICER:	**KIERAN TIMMINS, DEPUTY CHIEF EXECUTIVE**
CONTACT OFFICER:	**IAN CUMMINS, HEAD OF FINANCE, EXTN. 4244**
OFFICERS CONSULTED:	
SUBJECT:	**FINANCIAL REVIEW 2012/13 – April to September**

APPENDIX A1: TITLE "Revenue Budget Movements Summary"
APPENDIX A2: TITLE "Budget Movement on Reserves 2012/2013"
APPENDIX A3: TITLE "Fire Service Revenue Budget Movements Summary"
APPENDIX A4: TITLE "Corporate Service Revenue Budget Movements Summary"
APPENDIX B: TITLE "Capital Programme 2012/2013"
APPENDIX C: TITLE "Updated 2012/2013 – 2016/2017 Capital Programme"
APPENDIX D: TITLE "Capital Reserve Statement"

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Purpose of Report

1. To review the financial position, both revenue and capital, for the Authority for 2012/13. The Authority receives regular comprehensive financial reviews during the year which provide a full health check on the Authority's finances. This report covers the period April to September 2012.

Recommendation

2. That Members;
   a) Approve the 2012/13 budget variations and allocation of capital reserves as set out in this report; and
   b) Instruct the Deputy Chief Executive to continue to work with budget managers to maximise savings in 2012/13; and
   c) Note the potential favourable revenue position identified within this report.

Executive Summary (if report 3 pages or more long)

Executive Summary

Revenue:

The Authority has a detailed medium-term financial plan. The key elements of this are :-

- To control Council Tax
- Continue with its modernisation programme and deliver the

Authority's mission of achieving Safer Stronger Communities – Safe Effective Firefighters

- To deliver the required savings through efficiencies of which most are employee related, with the aim of avoiding compulsory redundancies if possible by using natural retirement rates and if required Voluntary Early Retirement/Voluntary Severance.

The total budget requirement remains at the original budget level of £69.748m, (appendix A1 – A4 outlines in detail all the revenue budget and reserve movements).

The Authority has made good progress in implementing the approved budget saving options and required organisational structure changes. Only two saving options remain to be formally implemented in budgetary terms.

The 1% firefighter/control room staff pay award will require extra savings of £0.4m. This does not require immediate action but can be included in decision making around next years budget, because costs can be contained within the overall employee budget as firefighter retirements and other green book savings ensures the service continues to deliver in "cash" terms the required saving target.

Overall this report, based on the first 6 months of the year, has indicated a potential £2.000m "ahead of target" saving by the year-end. The Deputy Chief Executive is continuing to work with budget holders to maximise savings in 2012/13 and will report in more detail in future financial reviews.

Capital:
The capital programme planned spend has increased by £6.919m, because of the inclusion of the Joint Control Scheme, however this increase has been funded via specific funding and the actual level of borrowing has fallen by £0.314m. The revised Capital Programme is outlined in Appendix C and D.

Reserves & Balances:
The general fund balance remains unchanged at £4.684m. All movements in reserves are outlined in Appendix A2. A review of the current earmarked reserves is being carried out by the Deputy Chief Executive and any recommendations will feed into the 2013/14 budget making process.

Treasury Management:
Short-term interest rates have remained at 0.50% as expected. No new long term borrowing has been arranged and the Authority has continued its policy of reducing investments and only taking short term borrowing to cover cash flow requirements.

Financial Processes:
Performance in Financial processes remains strong.

Introduction & Background

3. The purpose of this report is to enable the Authority to monitor its income and expenditure levels against its budget on a regular basis throughout the year to ensure effective financial management.

4. This report is the review of the Authority's position up to the end of the September of the financial year 2012/13 (April – September 2012).

5. In order to ensure that the financial reviews provide a regular and effective financial health check on all aspects of the Authority's finances the following structure has been adopted.

Financial Review Structure

Section	Content
A	Current Financial Year Review (Revenue Budget, Capital Programme and movement on Reserves)
B	Treasury Management Review
C	Internal Audit
D	Financial Process Monitoring/Performance Indicators

(A) Current Financial Year – 2012/13

6. The purpose of the financial review report is to provide members with an assurance that the approved budget remains robust and that the current forecast of expenditure can be contained within the available resources. If actual expenditure or income for the year is inconsistent with the current budget then the report will, if necessary, identify the appropriate corrective action.

Revenue Position:

Revenue Budget Movements:

7. The attached **Appendix A** to this report summarises the revenue budget movements since the last financial review report. The net budget requirement remains at £69.748m which is consistent with the original budget.

8. There have been a number of budget adjustments with no net impact, because they are budget increases financed by reserves. They total £0.943m with the major elements being as follows:

- Attendance Incentive Scheme review; (CFO/061/12) Use of £0.228m from the pre-retirement reserve to fund accrued employee benefit payments following the review of the scheme by the Authority;

- Allocation of £0.236m from the severance reserve to fund voluntary severance/voluntary early retirement payments to 18 staff;
- Allocation of £0.150m from the capital investment reserve (CFO/138/12) to fund allocation of firefighter training facilities at the new Toxteth fire station;
- £0.185m from capital investment reserve to procure new LLAR house for Formby fire station (CFO/102/12).

The remaining drawdown from reserves is to fund projects carried forward from 2011/12.

9. Update on 2012/13 Elements of Financial plan yet to be Achieved:

Three savings were approved as part of the Authority's medium term financial plan (MTFP) that have not yet been fully delivered;

- Revised Duty System at Whiston – members considered report CFO/091/12 at the Authority meeting on 3rd July 2012, and approved in principle the creation of a combined blue light centre at Prescot, with the two pump fire station element to replace the one pump stations at Huyton and Whiston. Although the scheme is unlikely to reach fruition until late 2014 the required savings of £0.300m will be delivered in any case (in cash terms) as firefighter retirements continue in line with that expected. This is expected to be achieved late this year.
- Outsourced Estates function - Final Tender documents were sent to the remaining 5 bidders on the 18th July 2012. The next step is an open day with potential bidders to outline the service's needs. The process has been deferred slightly because of :-
  (a) Internal restructuring of the cleaning services team, which are already delivering permanent savings of £0.1m per annum.

  (b) The volume of building work especially in relation to Joint Control.

- Assumed Pay Bill Freeze 2012/13. The approved budget assumed a pay bill freeze in 2012/13 that would save the Authority £1.000m. However firefighters and control staff have received a 1% pay increase with effect from July 2012. The full year cost of this award is estimated at £0.400m. All other things being equal, this will require additional savings in the medium term. However, in the short term, because of the overall £2.000m favourable in year forecast position and the level of holding reserves, the Deputy Chief Executive recommends that decisions on where those additional savings come from is deferred until the budget process in February.

In the interim period the Deputy Chief Executive will continuously monitor actual staff numbers to ensure the service continues to deliver in "cash" terms the required saving target.

Table A below summarises the position at the time of writing this report:

Table A

Progress in allocating out Phase 1 Approved Saving Options				
	2012/13	**2013/14**	**2014/15**	**2015/16**
	£'000	**£'000**	**£'000**	**£'000**
2011/12 Approved Savings:	**-8,525**	**-9,200**	**-9,200**	**-9,200**
Complete:				
Assume Pay Bill Freeze 2010/11	-1,000	-1,000	-1,000	-1,000
Assume Pay Bill Freeze 2011/12	-1,000	-1,000	-1,000	-1,000
Assume Pay Bill Freeze 2012/13	-1,000	-1,000	-1,000	-1,000
Reduction in Support Service Costs	-1,300	-1,300	-1,300	-1,300
Review of Capital Programme Financing	-400	-400	-400	-400
Rephasing of Vehicles Capital Programme	-100	-100	-100	-100
Manage dynamic reserve more effectively	-2,300	-2,950	-2,950	-2,950
Reduce Senior Management Costs	-400	-400	-400	-400
MACC Review	-400	-400	-400	-400
Flexible Shift Patterns at Marine 1	-75	-100	-100	-100
	-7,975	-8,650	-8,650	-8,650
Approved Saving Options yet to be finalised:				
Outsource Estates function	-250	-250	-250	-250
Flexible Shift Patterns at Whiston	-300	-300	-300	-300
	-550	-550	-550	-550
TOTAL	-8,525	-9,200	-9,200	-9,200

Revenue Forecast Actual Position:

10. The Authority is expecting future large scale financial challenges and therefore as part of its strategy it has directed officers to maximise savings in the year to contribute towards building up reserves. Such reserves can then be used as part of an implementation strategy and to manage risk as the full scale of grant reductions becomes clear.

Employee Costs

Employee costs make-up nearly 80% of the Authority's revenue budget and is the most risk critical area of the financial plan. It is therefore monitored extremely closely.

Firefighter retirements have continued in line with the forecast profile adopted for the financial strategy. Staff turnover within some green book posts has resulted in short term vacancies and this combined with post-holders not being at the top of the their budgeted grade has resulted in a small forecast underspend on the employee budget. However, after taking into account the cost of the 1% firefighter and control room staff pay award, estimated at £0.300m in 2012/13, the overall forecast position is neutral. In the longer term, the higher than expected pay award will require additional savings.

The Deputy Chief Executive will continue to monitor actual staff numbers during the year to ensure the service continues to deliver in "cash" terms the required saving target.

Other Non-Employee Revenue Costs
The Deputy Chief Executive is continuing to work with budget holders to maximise savings in 2012/13 in order to contribute to the current strategy of building up reserves in order to provide a temporary short term buffer to balance future budgets.

The latest indications are that some additional savings may be delivered through careful management through the year;

- Premises costs – the budget assumes the full year £0.550m budget to meet the cost of the PFI unitary charge. However, the phasing of the building of the PFI stations combined with some technical changes to the charge calculation mean that the full budget will not be required this year. This combined with other smaller savings has resulted in a forecast saving of £0.300m in this year.
- Supplies and services – The Service has successfully delivered some of the phase 1 and future business re-engineering initiatives ahead of schedule. This combined with savings on professional services and a number of other variations has resulted in a forecast saving in this year of £0.700m.
- The Authority funds most of its capital expenditure through borrowing and the resulting debt repayments, (Minimum Revenue Provision, MRP), and interest costs are charged to the revenue account. Following the re-phasing of capital schemes from 2011/12 into later years, and Treasury management policies which seek to delay borrowing by minimising investments, a saving on debt and interest payments of £0.800m is likely. In line with the Budget resolution the Deputy Chief Executive is reviewing the capital programme and its financing to identify permanent savings that might contribute to the financial plan. These will be reported in detail through the budget process.
- Interest on Balances **-** As members may be aware current interest rates on investments is extremely low, often less than 0.5% and in line with the Treasury management strategy the Authority seeks to delay borrowing/keep cash holdings as low as possible. Whilst this has contributed to the reduced borrowing costs above it means that there is likely to be a reduced investment income that may be below that assumed in the budget. This variation will be factored into the review discussed above
- Contingency provision for pay and prices – as staff numbers reduce and demand for non-employee items shrinks combines with a policy of pro-actively managing spend has resulted in the ability of individual budget lines to absorb inflationary price increases. The estimated saving on the contingency for pay and prices provision in 2012/13 is £0.350m

Other Potential Issues:

11. **Home Fire Safety Checks, (HFSC); The Authority continues to have a largescale programme of installing smoke alarms and carrying out home fire safety checks.** The Authority has a long standing policy to charge the costs of the alarms and their installation costs to the capital programme in line with Government guidance. The budget assumes the capitalised installation cost is to

be funded through a revenue contribution to capital (*funded by the revenue saving following the capitalisation of HFSC salaries*). The Deputy Chief Executive will consider at the year-end if the option of funding the capitalised installation costs through borrowing or other means is worthy of contemplation in the short term as part of an overall financial strategy.

Summary of Revenue Forecast Position:

12. The Authority has made good progress in implementing the approved budget saving options and required organisational structure changes.

The 1% firefighter/control room staff pay award will require extra savings of £0.4m. This will be included in the 2013/14 budget process. Two budget options remain to be fully completed in budgetary terms. However these issues can be contained within the overall budget due to firefighter retirements and other green book savings the service continues to deliver in “cash” terms the required saving target.

Overall the forecast based on the first 6 months of the year has indicated a potential £2.000m saving by the year-end. The Deputy Chief Executive is continuing to work with budget holders to maximise savings in 2012/13 and will report in more detail in future financial reviews. Table B below summarise the revenue year-end forecast position based on spend to the end of September 2012:

Table B: Anticipated Year-End Revenue Position

	FIRE SERVICE BUDGET	CORP MGT BUDGET	TOTAL BUDGET	ACTUAL as at 30.06.12	FORE-CAST	VARI-ANCE
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Expenditure						
Employee Costs	54.065	0.396	54.461	25.792	54.461	0.000
Premises Costs	3.450	0.000	3.450	1.189	3.150	-0.300
Transport Costs	1.602	0.000	1.602	0.807	1.602	0.000
Supplies and Services	5.164	0.067	5.231	1.518	4.531	-0.700
Agency Services	2.309	0.000	2.309	1.660	2.309	0.000
Central Support Services	0.242	0.129	0.371	0.058	0.371	0.000
Capital Financing	6.778	0.000	6.778	0.000	5.978	-0.800
Income	-3.484	0.000	-3.484	-2.877	-3.484	0.000
Net Expenditure	70.126	0.592	70.718	28.147	68.918	-1.800
Contingency Pay&Prices	0.857		0.857	0.000	0.507	-0.350
Cost of Services	70.983	0.592	71.575	28.147	69.425	-2.150
Interest on Balances	-0.232		-0.232	-0.009	-0.082	0.150
Movement on Reserves	-1.595		-1.595	0.000	-1.595	0.000
Total Operating Cost	69.156	0.592	69.748	28.138	67.748	-2.000

Capital Forecast Position:

13. Members approved an updated 5 year capital programme (2012/13 – 2016/17) when they considered the last financial review report, CFO/138/12, totalling £36.524m. This has now been updated for scheme additions and changes during quarter 2 of £6.919m which are summarised in the table below:

TABLE C

Movement in the 5 Year Capital Programme						
	Total Cost	**2012/13**	**2013/14**	**2014/15**	**2015/16**	**2016/17**
Expenditure	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
2012/13 re-phasings	0.0	-1,860.0	1,860.0			
New Schemes:						
SHQ Joint Control Room with MPA	7,640.0	570.0	7,070.0			
CFP Mgt Information System	30.0	30.0				
Increase in schemes funded by RCCO	3.5	3.5				
Reduction in Smoke Alarm Provision	-754.0	-754.0				
	6,919.5	**-2,010.5**	**8,930.0**	**0.0**	**0.0**	**0.0**
Funding						
Grants;						
CLG Fire Control Capital Grant	1,100.0		1,100.0			
Cap Receipts - Derby Road	700.0	0.0	700.0			
Capital Reserve	1,868.0	600.0	1,268.0			
RCCO						
New	3.5	3.5				
Smoke Alarm Reduction	-440.0	-440.0				
Other						
MPA contribution	4,002.0	0.0	4,002.0			
Borrowing:						
Impact of re-phasing of schemes	0.0	-1,860.0	1,860.0			
Smoke Alarm reduction	-314.0	-314.0				
	6,919.5	**-2,010.5**	**8,930.0**	**0.0**	**0.0**	**0.0**

14. Although the level of planned expenditure has increased as most of it is funded by specific resources the required level of borrowing has actually fallen by £0.314m.The increase in the programme can be explained by:

- Merseyside Joint Control Centre (JCC), £7.640m, CFO/150/12. The Authority on 22 October 2012 approved a JCC with Merseyside Police Authority.
- New Community Fire Protection Management Information System, MIS, £0.030m. The current MIS is not fit for purpose and fails to deliver essential management reports some of which have potential to damage the reputation of the Authority (e.g. failure to complete CLG returns); share information with other MIS, offer financial value to the Authority due to the significant proportion of management time wasted on problem solving; provide performance management data therefore limits the ability of Protection Managers to maximise efficiency and effectiveness) and accurately identify required data on risk. Therefore officers are currently review procurement options and a new system will be funded from the drawdown of monies from the capital investment reserve.
- Re-phasing of £1.860m of schemes from 2012/13 into 2013/14 to reflect the actual year of anticipated spend.
- A review of the previous policy on fitting free smoke alarms to that based on a risk assessment has resulted in a reduction in the spend on alarms from

100,000 p.a. to approximately 60,000 p.a. saving £0.314m on alarms and £0.440m on installation costs.

- A small increase in the concrete yard and IT hardware spend of £0.004m funded from a revenue contribution.

15. The revised detailed capital programme is attached as **Appendix B** (2012/13 Capital Programme) and **Appendix C** (2012/13–2016/17 Capital Programme) to this report.

16. Future review reports will update members in more detail on the progress of schemes and any funding changes within the approved programme and consider the current phasing of planned expenditure.

Use of Reserves:

17. The analysis in Appendix A2 outlines the £0.943m movement on reserves during the second quarter of 2012/13 mainly to fund costs associated with VER/VS, the payment of accrued benefits under the previous attendance incentive scheme, and funding of capital schemes. The level of total earmarked reserves stands at £15.531m. The Deputy Chief Executive is currently undertaking a review of these reserves to ratify the significant commitments to current initiatives to determine if any reserve funding can be freed up and considered as part of the future budget challenge. The general revenue reserve has remained unchanged at £4.684m.

18. Members will recall that they established a central overall capital reserve of £6m in light of the significant building programme for the Authority, including :-

    - 7 PFI Fire Stations
    - Toxteth
    - Marine Rescue Pontoon
    - Workshops
    - Kensington
    - LLAR properties

19. As those schemes have largely progressed, a review has been undertaken of the overall level of reserve in light of outstanding work. Reserves have now been allocated on the basis of specific remaining risks in the capital programme as in Appendix D with a view to maximising the available monies to support a reserves strategy. This exercise has identified £1.5m.

(B) Treasury Management

20. The Authority continues to “buy in” Treasury Management from Liverpool City Council. The following paragraphs reflect Treasury Management activities in the period April to September 2012/13.

21. **Prospects For Interest Rates**
    Short-term rates have remained at 0.5% in line with the forecast for them to remain on hold for the rest of the financial year. Growth in the UK economy is expected to be weak in the next two years and there is a risk of a double-dip recession. The crisis in the euro-zone, the prospects of tight economic policies at home and weak consumer confidence means that any recovery in the economy is set to be weak and protracted.

Longer term rates have fallen by 0.25% during the two quarters. They have been suppressed by investor concerns over Eurozone sovereign debt, decelerating activity, demand for safe haven instruments and the Bank of England's operations in the market. However, a very heavy programme of gilt issuance is required to fund the government deficit and, ultimately, the increased supply could push gilt yields higher. The effect would be upward pressure on longer-term Public Works Loans Board (PWLB) rates though this may not now happen in 2012/13.

The strategy indicated that the overall structure of interest rates whereby short term rates are lower than long term rates was expected to remain throughout 2012/13. In this scenario, the strategy would be to reduce investments and borrow for short periods and possibly at variable rates when required.

22. Capital Borrowings and the Portfolio Strategy

The borrowing requirement comprises the expected movements in the Capital Financing Requirement and reserves plus any maturing debt which will need to be re-financed. The Authority does not envisage that any new long term borrowing will be required in 2012/13. Current market conditions continue to be unfavourable for any debt rescheduling.

23. Annual Investment Strategy

The investment strategy for 2012/13 set out the priorities as the security of capital and liquidity of investments. Investments are made in accordance with CLG Guidance and CIPFA Code of Practice. Investments are made in sterling with an institution on the counterparty list.

The diversity of investments has been expanded by the use of Certificates of Deposit with high rated banks and deposits with the larger Building Societies. These deposits combined with investments with the "nationalised" banks and AAA rated money market funds has enabled reasonable returns in a low interest rate environment. In the period 1st April to 30 September 2012 the average rate of return achieved on average principal available was 1.49%. This compares with an average seven day deposit (7 day libid) rate of 0.45%.

The Authority had investments of £26.7m as at 28 September, (most of which is due to the receipt of firefighter pension grant payment of £21.471m in July 2012.):

ANALYSIS OF INVESTMENTS END OF SEPTEMBER 2012

Institution	Credit Rating	MM Fund*	Bank / Other	Building Society
		£	£	£
Deutsche Global Liquidity Series (Fund)	**AAA**	1,300,000		
Goldman Sachs - SLRF	**AAA**	400,000		
Ignis liquidity Fund	**AAA**	3,000,000		
Morgan Stanley	**AAA**	2,000,000		
Prime Rate	**AAA**	3,000,000		
HBOS Corporate A/c.	**A**		2,000,000	
HBOS Masters Deposit	**A**		2,000,000	
Close Brother	**A**		2,000,000	
Schroders	**A**		2,000,000	
Nat West	**A**		4,000,000	
Leeds BS	**A**			1,000,000
Principality BS	**Unrated**			1,000,000
Nationwide	**A**			2,000,000
West Brom BS	**Unrated**			1,000,000
Totals		9,700,000	12,000,000	5,000,000
Total Current Investments				**26,700,000**

**MM Fund - Money Market Funds -these are funds that spread the risk associated with investments over a wide range of credit worthy institutions.*

24. External Debt Prudential Indicators

The external debt indicators of prudence for 2012/13 required by the Prudential Code were set in the strategy as follows:

Authorised limit for external debt: £82 million
Operational boundary for external debt: £50 million

Against these limits, the maximum amount of debt reached at any time in the first quarter of the financial year 2012/13 was £46.1 million.

25. Treasury Management Prudential Indicators

The treasury management indicators of prudence for 2012/13 required by the Prudential Code were set in the strategy as follows:

a) Interest Rate Exposures

Upper limit on fixed interest rate exposures: 100%
Upper limit on variable interest rate exposures: 50%

The maximum that was reached in the first quarter of the financial year 2012/13 was as follows:

Upper limit on fixed interest rate exposures: 100%
Upper limit on variable interest rate exposures: 0%

b) Maturity Structure of Borrowing

Upper and lower limits for the maturity structure of borrowing were set and the maximum and minimum that was reached for each limit in the first two quarters of the financial year 2012/13 was as follows: -

Maturity Period	Upper Limit	Lower Limit	Maximum	Minimum
Under 12 months	80%	0%	5%	2%
12 months and within 24 months	50%	0%	3%	0%
24 months and within 5 years	50%	0%	12%	10%
5 years and within 10 years	50%	0%	11%	9%
10 years and above	80%	0%	75%	74%

c) Total principal sums invested for periods longer than 364 days

The limit for investments of longer than 364 days was set at £2 million for 2012/13. No such investments have been placed during 2012/13.

(C) Internal Audit

26. The Authority continues to "buy in" Internal Audit services from Liverpool City Council. Most audit work is carried out in the second part of the year to fit in with the service work demands and provide relevant data for the year. At the end of September 2 audits carried over from 2011/12 and 3 audits for this year had been completed. A high level of assurance was awarded in all cases for the system control processes and a detailed report has been prepared for the Audit Sub-Committee on 22 November 2012 outlining the detailed findings of the Audit work.

(D) Monitoring of Financial Progress

27. To ensure the internal financial processes of the Authority are operating effectively, for example payroll, debt collection and the payment of invoices, a suite of performance indicators have been developed that now feed into the financial review. At present indicators relate to:

- Payment of invoices,
- Discounts obtained from prompt payments;
- Debtors

28. Prompt Payment of Invoices

Prompt payment of invoices was previously a statutory indicator under the Best Value legislation. While there is no longer a requirement for the Authority to report its prompt payment performance under BVPI8, the number of undisputed invoices paid within 30 days of receipt continues to be analysed to assess the effectiveness of the various Accounts Payable systems and procedures. Information about the prompt payment of invoices has now been incorporated with the suite of local performance indicators (LPI128).

29. In July 2009 the Authority joined the Prompt Payment Code (PPC). The PPC gives notice to suppliers of the Authority's commitment to pay promptly. In the current economic climate the Government is keen for all businesses and local

authorities to pay suppliers promptly. By paying promptly the Authority is able to make its contribution to improving the cashflow position of its supplier base, particularly small businesses, that rely on payments made promptly to keep them in business. Consistent with that objective, considerable effort has been made to develop a range of administrative processes to enable the Authority to comply with its obligations under the PPC which is deemed to be best practice.

30. A comparison of first quarter performance over previous years confirms that system improvements continue to enable the Authority to pay invoices (some 3,707 in the quarter ended September 2012) promptly.

2008/09	100.0%
2009/10	99.9%
2010/11	99.8%
2011/12	99.9%
2012/13	100.0%

31. The target for prompt payment in 2012/13 is 100%. The first quarter's results confirm the Service continues to respond quickly and efficiently to requests for payment from suppliers with 3,707 out of 3,707 invoices being paid within the required timeframe.

32. We have continued to ensure discounts due from the prompt payment of invoices are vigorously pursued. During the quarter a total of 60 invoices that attracted prompt payment discounts were paid generating savings of £2,520 with total savings for the year to date equating to some £3,637. This is evidence of the robustness of the systems in place that are enabling the Service to take advantage of the financial savings available from suppliers.

33. The publication of payments to suppliers for goods and services over £500 is now fully embedded. Consistent with the Government's drive for transparency in relation to spending by all local authorities, details of payments to suppliers for goods and services over £500 are available on the Authority's website in both PDF and CSV formats for the convenience of those wishing to access and interrogate the information. Payments details are now available for the period from 1 April 2009 to 30 September 2012. Payments for each month are made available as soon as possible following the closure of each accounting period and subject to verification against guidance received from Government.

34. <u>Processing Sales Invoices and the Debt Recovery Process</u>

A number of Performance Indicators have been developed to give drive and focus to improvements to the sundry debtor process and to plot the age profile of outstanding debt. Key Performance Indicators in relation to the processing of income generation type transactions are as follows:

SIRF Generation - 100% in 21 working days from service delivery
Sales invoice production -100% in 2 working days from receipt of SIRF

(Note: SIRF = Sales Invoice Request Form. SIRFs are generated by officers to request that a customer be invoiced for goods\services received)

35. Members will be aware that the Authority's Financial Regulations were amended for 2010/11 to require prepayment for services where possible. It is recognised that there is a correlation between the time taken to request payment for services and payment actually being received. While every effort is made to ensure customers receive their invoice as quickly as possible it is often necessary to wait for key information (e.g. confirmation of course attendees, Payroll data etc) that is to be included with any invoice to enable the customer to make prompt payment. In certain circumstances it is deemed cost effective to wait until all appropriate information is available before issuing a sales invoice rather than it be raised prematurely to remove the potential for a credit note to be raised and an amended invoice reissued.

36. <u>The Age Profile of Outstanding Debt</u>
A comparison of the value of aged debts over 60 days for the first quarter can be summarised as follows:

Number of debts 60 days+

	2008/09	2009/10	2010/11	2011/12	2012/13
July	104	86	67	35	47
Aug	101	79	63	36	46
Sept	123	85	70	30	41

Value of debts 60 days+

	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000	2012/13 £'000
July	207	204	175	118	42
Aug	229	144	131	112	69
Sept	351	145	172	35	68

37. The Service raises approximately 1,100 sales invoices per year and this can equate to income of between £2m - £3.5m. The profile of accounts raised varies significantly month by month and from year to year. It therefore can lead to significant variations when comparing the same month over a five year period. However, considerable effort has been made to actively engage with customers as part of the drive to improve the aged debt profile of the Authority and the success of that effort is reflected in the data set out above. The significant reduction in the number and value of aged debts in 2012/13 is a reflection of the work undertaken by the Finance and Legal teams to tackle aged debts though active engagement with customers in the drive to maximise income for the Authority. Consistent with that effort the number of write offs each year is small. The increase in the value of debt in 2008/09 is attributable to success in attracting external funding for WFG08

38. Debtor accounts under £5,000 may be written off by Deputy Chief Executive. No accounts were written off in the period relating to this report.

Equality & Diversity Implications

39. There are no equal opportunity implications in this report.

Staff Implications

40. None directly related to this report.

Legal Implications

41. None directly related to this report.

Financial Implications & Value for Money

42. See Executive Summary.

Risk Management, Health & Safety, and Environmental Implications

43. None arising from this report.

Contribution to Achieving the Vision:
"To Make Merseyside a Safer, Stronger, Healthier Community"

44. The achievement of actual expenditure within the approved financial plan and delivery of the expected service outcomes is essential if the Service is to achieve the Authority's vision.

BACKGROUND PAPERS

Report CFO/033/12 "MFRA Budget and Financial Plan 2012/2013-2016/2017" Authority 16th February 2012.

Report CFO/089/12 "Revenue Outturn 2011-2012" Authority 3 July 2012.

Report CFO/138/12 "Financial Review 2012/13 April to June" Policy & Resources Committee 27 September 2012.

***Glossary of Terms**

HFSC – Home Fire Safety Check
RESERVES - Amounts set aside to meet future contingencies but whose use does not affect the Authority's net expenditure in a given year. Appropriations to and from reserves may not be made directly from the revenue account.
PPC - Prompt Payment Code
PWLB - Public Works Loans Board