AGENDA ITEM:

REPORT TO:	**MERSEYSIDE FIRE & RESCUE AUTHORITY BUDGET MEETING**
DATE:	**17TH FEBRUARY 2011**
REPORT NO.	**CFO/015/11**
REPORTING OFFICER:	**ASSISTANT CHIEF EXECUTIVE & TREASURER**
CONTACT OFFICER:	**ASSISTANT CHIEF EXECUTIVE & TREASURER, EXTN. 4108**
OFFICERS CONSULTED:	**IAN CUMMINS, DIRECTOR OF FINANCE EXTN. 4244**
SUBJECT:	**FINANCIAL REVIEW 2010/11 – APRIL TO DECEMBER REVIEW**

APPENDIX	**A1 – A4**	**REVENUE BUDGET & RESERVE MOVEMENTS**
APPENDIX	**B**	**REVENUE FORECAST STATEMENT**
APPENDIX	**C**	**CAPITAL PROGRAMME 2010/11**
APPENDIX	**D**	**UPDATED 2010/11 – 2014/2015 CAPITAL PROGRAMME**
APPENDIX	**E**	**INTERNAL AUDIT REPORT**
APPENDIX	**F**	**BAD DEBT WRITE-OFFS IN QUARTER 2**

***There is a Glossary of Terms at the end of this report for your information**

Outcome

1. By reporting on a regular basis to Members on the financial performance of the Service it allows Members to ensure resources are managed effectively.

Purpose of Report

2. To review the financial position, both revenue and capital, for the Authority for 2010/11. 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 first 9 months of the year (April – December 2010).

Recommendation

3. That Members:

   (a) approve the 2010/11 budget variations identified in this report; and

(b) approve the use of the forecast underspend of £3.400m to increase reserves, in line with the Authority's agreed strategy, as outlined in the report; and

(c) instruct the Assistant Chief Executive & Treasurer to continue to work with budget managers to maximise savings in 2010/11.

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 purpose of making Merseyside a Safer, Stronger, Healthier Community;
- To deliver the required savings through efficiencies of which most are employee related and will be achieved without redundancy by using natural retirement rates and if required VER/VS.

The Authority has delivered the required 2010/11 budget savings and required structural changes in its workforce to maintain the savings on a permanent basis.

The total budget requirement remains at the original budget level of £73.326m, (Appendix A outlines in detail all revenue budget movements).

The Authority has a strategy of maximising savings in order to increases reserves and the Service is ahead of, in cash terms, the budget saving target. Significant favourable forecasts have been identified of £2.400m; an employee forecast saving of £1.676m, (as a result of current vacancies), and, a non-employee forecast saving of £0.724 (the most significant saving is due to a reduction in capital borrowing costs). A pay freeze in 2010/11 has increased the forecast saving by a further £1.000m to £3.400m. Appendix B summarises the forecast year-end position. This report recommends using this £3.400m saving to increase specific reserves in light of the pending financial challenge. Officers will continue to work to maximise any savings in order to increase reserves.

Capital:

Approved amendments to the capital programme have resulted in a net reduction of £5.515m in planned spend, and a £2.020m re-phasing from 2010/11 into future years. The revised Capital Programme is outlined in detail in Appendix C and D.

Reserves & Balances:

The general balance remains unchanged at £2.544m (3.5% of net budget). All movements in reserves are outlined in Appendix A2.

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.

Reason for Report

4. To enable the Authority to monitor its financial performance on a regular basis throughout the year to ensure effective financial management.

5. This report is the review of the Authority's financial position up to the end of the December for the year 2010/11 (April – December 2010).

6. 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 – 2010/11

7. 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:

8. The attached **Appendix A (A1 – A4)** to this report summarises the revenue budget movements since the last financial review report. The net budget requirement remains at £73.326m which is consistent with the original budget. The section below describes the major variations and issues:-

Update on 2009/10 – 2013/14 Approved Saving Options

9. The Authority approved a number of saving options as part of their medium term financial plan (MTFP) that delivered a saving of £3.872m in 2009/10 rising to £4.647m by 2013/14. The Authority has made good progress in finalising and implementing the majority of the saving options and £4.348m of the approved budget saving options have now been allocated out to the relevant budget heads.

   Only £0.224m, (5%), of the 2010/11 saving target remains to be formally allocated. These options are effectively being delivered in cash terms through employee savings.

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

TABLE A

Progress on Allocating Out the Budget Saving Options Approved in the 2009/10 - 2013/14 MTFP

	2009/10	2010/11	2011/12	2012/13	2013/14
	£'000	£'000	£'000	£'000	£'000
Budget Resolution - Gross Savings total:	-3,872	-4,572	-4,597	-4,622	-4,647
Allocated by Qtr 3 2010/11:					
Ill Health Saving	200	350	350	350	350
Procurement / Efficiency Target	200	250	250	250	250
CFO/215/09 Review of Firefighter posts within RRT	1,332	1,332	1,332	1,332	1,332
CFO/216/09 Staffing for Special Appliances at ORCs	280	280	280	280	280
CFO/217/09 Supervisory Manager Posts within RRT	400	400	400	400	400
CFO/221/09 LLAR Conversion at Eccleston	300	300	300	300	300
CFO/211/09 Review of ELT/CLT Management Savings	150	150	150	150	150
CFO/2108/09 Review of Mgt Structures	250	250	250	250	250
CFO/220/09 Grey to Green book	170	250	250	250	250
CFO/045/10 Reduce Non Uniform Support Costs	150	150	150	150	150
Income Generation through social enterprise	0	175	200	225	250
CFO/222/09 Self Rostering- 12month trial	0	360	360	360	360
Engineering Centre of Excellence	0	101	101	101	101
Allocated Out as at Qtr 3:	3,432	4,348	4,373	4,398	4,423
Approved Saving Options Yet to be Allocated:					
Approved Budget Saving Proposals being worked on:					
Engineering Centre of Excellence	0	49	49	49	49
Apply Retirement Rengagement	0	175	175	175	175
To be Allocated Out:	0	224	224	224	224
Anticipated total allocated saving options:	3,432	4,572	4,597	4,622	4,647

Revenue Forecast Position:

10. The Authority is well aware of the likely future financial challenge and therefore as part of its strategy it has directed officers to maximise savings in the year to contribute towards the agreed plan of building up reserves. Officers have identified a £3.400m saving in 2010/11, (see **Appendix B**). This saving is because:-

11. *Employee Costs*:

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

Firefighter retirements have continued in line with the forecast profile adopted for the financial strategy. This means that the Authority is:

(a) a little better placed to implement required savings speedily when the future financial position becomes clear;

(b) the Authority is generating in year savings in line with its agreed strategy to maximise reserves in the short term.

This strategy is not adversely affecting service performance as reported in CFO/165/10, "Service Plan 2010/11 Performance Report April – August", which went to the IRMP Scrutiny Panel Meeting 7th October 2010. Due to timing differences between when staff leave the organisation and when the Authority agrees changes to the establishment, officers manage staff levels dynamically to maintain service levels to Merseyside. To do this, they use a variety of staffing "tools". A net underspending is anticipated on the uniform establishment budget of £0.576m.

Effective vacancy management amongst other staff has delivered further employee savings of £1.000m.

Officers are anticipating no ill health retirements in 2010/11. If this proves to be the case then a £0.100m saving is anticipated on this budget.

The overall saving forecast on the employee budget is therefore £1.676m.

12. *Other Non-Employee Revenue Costs*:

The Assistant Chief Executive & Treasurer is continuing to work with budget holders to maximise savings in 2010/11 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.

Premises, Transport, Supplies & Services – Against the £9.353m budget for these services a number of small savings totalling £0.374m over a variety of expenditure heads are forecast. Officers are confident the final saving will be greater than this forecast as they are continuing to strive to control expenditure and deliver savings to contribute towards building up the Authority's reserves.

Capital Financing – The Authority funds most of its capital spend through borrowing and the resulting debt repayments and interest costs are charged to the revenue account "capital financing". Following the re-phasing of £4m from the original planned spend in 2009/10 into later years, and the policy of minimising investments and therefore loans, a saving on debt and interest payments of £0.350m is anticipated in 2010/11.

Income – the budget includes an income target of £0.175m though social enterprise initiatives. Progress has been made on achieving income through offering additional services to local business (fire safety advice / cover for Hollyoaks, infection control, dry riser testing), and officers are continuing to explore further income generating initiatives. Overall the increased income levels are expected to be delivered in line with the budget.

13. *Contingency for 2010/11 Pay & Price Increases* :

Members will recall that they made a provision for pay bill increases in 2010/11 & 2011/12. Since the financial plan was approved it appears that:-

- The employer's pension contribution rates will remain unchanged this year. (*Public pensions are currently under review as part of the CSR 2010 and Merseyside Pension Fund are currently finalising the implications of the latest actuarial review – officers will advise Members on the implications of these reviews as soon as they are known).*

- The previous government planned a proposed increase in Employer's National Insurance (NI) rate by 1% point with effect from 2011/12. This increase remains in place however the new Chancellor has exempted the increase for employees who earn around £21,000 or less. The Chancellor also announced an increase in the level at which employers start to pay NI contributions. The cost to the Authority of a 1% increase in employers NI rates was originally estimated at £0.500m and built into the approved financial plan from 2011/12, as a result of the new chancellor's changes the impact of the 1% increase in employers NI to the Authority's is expected to reduce by £0.200m.

- No pay offer has been made to staff this year. The trade unions are considering their response to this position at present. The Chancellor has announced his aspiration for a two year pay freeze for the public sector from next year, although this is a matter for local government employers to negotiate with staff.

The overall impact is therefore that no increase in the pay bill is expected for 2010/11. This results in a permanent saving of £1.000m.

14. *Other Potential Issues*:

Home Fire Safety Checks, (HFSC); Performance on the HFSC programme is expected to continue to be outstanding and the Authority will continue its longstanding policy to charge the costs of the alarms and their installation costs to the capital programme. 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 Assistant Chief Executive & Treasurer will make recommendations at the year-end if the option of funding the capitalised installation costs through borrowing is worthy of contemplation by the Authority in the short term as part of an overall financial strategy.

Private Finance Initiative (PFI); The Final Business Case has now been approved by the DCLG and a letter dated 17 January 2011 received confirming DCLG financial support for the Project at the requested level. There have been some delays to the Project due to receiving DCLG approval later than anticipated and other issues but Financial Close is now scheduled for mid-February 2011, with building works due to start soon after that.

Summary of Revenue Forecast Position:

15. The Authority has implemented the organisational structure and service changes to deliver the approved budget saving options in 2010/11. The Assistant Chief Executive & Treasurer has worked with budget managers to maximise cash savings in 2010/11 and therefore deliver additional savings in the year. Table B below summarises the revenue year-end forecast position based on spend to the end of December 2010:

Table B

Anticipated Year-End Revenue Position

Previous Year Actual		TOTAL BUDGET	ACTUAL as at 31.12.10	FORECAST	VARIANCE
£'000		**£'000**	**£'000**	**£'000**	**£'000**
	Income				
-3,010	Fees & other service income	-2,370	-1,933	-2,370	0
-2,155	Grants and Contributions	-1,608	-748	-1,608	0
-5,165		**-3,978**	**-2,681**	**-3,978**	**0**
	Expenditure				
58,597	Employee Costs (net of dynamic saving)	59,267	27,949	57,591	-1,676
2,547	Premises Costs	2,835	1,691	2,585	-250
1,635	Transport Costs	1,748	1,355	1,724	-24
4,220	Supplies and Services	4,770	1,752	4,670	-100
2,453	Agency Services	2,464	1,316	2,464	0
367	Central Support Services	391	209	391	0
4,829	Capital Financing	5,739	0	5,389	-400
69,483	**Net Expenditure**	**73,236**	**31,591**	**70,836**	**-2,450**
	Contingency for Pay & Prices	**1,298**		298	-1,000
69,483	**Cost of Services**	**74,534**	**31,591**	**71,134**	**-3,450**
-187	**Interest on Balances**	-100		-50	50
2,814	**Movement to / (from) Reserves**	-1,108		-1,108	0
72,110	**Total Operating Cost**	**73,326**	**31,591**	**69,976**	**-3,400**

As expected the Authority, in cash terms, is ahead of its schedule of budget savings, and Members are asked to utilise the £3.400m saving above, in line with its agreed strategy, to maximise reserves in light of the financial challenge ahead. The reserves have initially been allocated as follows:-

- **Increase** the existing **Inflation Reserve**, £0.858m, **by £1.142m** to £2.000m.

- **Create a Severance Reserve of £2.258m,** in order to contribute towards the cost of any voluntary severance packages the service may want to approve in order to try to avoid compulsory redundancies or meet the cost of any pension strain costs associated with staff having early access to pensions.

The Authority will review its reserve strategy as part of the budget setting process.

The Assistant Chief Executive & Treasurer will continue to work with budget managers to maximise savings in 2010/11.

Capital Position:

16. Since the last financial review report the capital programme has reduced by £5.515m, mainly as the result of the approval of CFO/004/11 by the Strategic Assets Committee 20th January 2011. CFO/004/11 approved the principle of a firefit hub project and increased the planned Toxteth Community Fire Station scheme from £0.600m to £2.100m, an increase of £1.500m. This increase can be funded by deleting the fireworld scheme, -£7.035m, and utilising the Authority's planned resources for this scheme of £1.000m, and the £0.500m capital receipt anticipated from the sale of Toxteth fire station. The updated capital programme also incorporates CFO/001/11, also approved at the Strategic Assets Committee on 20th January 2011, and the proposed increase in the Marine 1 accommodation scheme from £0.350m to £0.550m. The increase in the Marine 1 scheme can be accommodated from within the overall building refurbishment programme. The re-phasing of a number of other capital schemes has reduced planned spend in 2010/11 by £2.020m and re-phased the expenditure into future years, (see paragraph 17 below). Increase in the demand for smoke alarms for the deaf required an increase in the capital scheme budget of £0.020m, funded by a revenue contribution from the community safety budget.

17. The revised detailed capital programme is attached as **Appendix C** (2010/11 Capital Programme) and **Appendix D** (2010/11–2014/15 Capital Programme) to this report. The changes are summarised in Table C below.

TABLE C

Movement in the 5 Year Capital Programme Since the Last Financial Review						
	Total Cost	**2010/11**	**2011/12**	**2012/13**	**2013/14**	**2014/15**
Expenditure	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Increase in Smoke Alarms for the deaf spend	20.0	20.0				
Re-phasing of scheme spend	0.0	-2,019.8	2,298.8			-279.0
CFO/004/11 Toxteth Hub/ Fireworld	-5,535.0	0.0	164.0	1,500.0	-3,560.0	-3,639.0
	-5,515.0	**-1,999.8**	**2,462.8**	**1,500.0**	**-3,560.0**	**-3,918.0**
Funding						
Borrowing:	0.0	-2,019.8	2,462.8	1,500.0	-1,000.0	-943.0
RCCO: decontamination unit (from mod res)	20.0	20.0				
Cap Receipts	500.0				500.0	
Fireword External Contributions	-6,035.0				-3,060.0	-2,975.0
	-5,515.0	**-1,999.8**	**2,462.8**	**1,500.0**	**-3,560.0**	**-3,918.0**

18. A total of £2.020m of planned spending has now been re-phased from 2010/11 into 2011/12. Nearly half of which, £0.980m, relates to fire appliances as delivery dates for the new vehicles are now expected to be in autumn 2011. The only other significant re-phasing is for the Diesel Tank Replacement Scheme, £0.150m, as the completion of the tendering process means the timing of expenditure will now be 2011/12. Appendix C outlines the re-phasing of each scheme.

Use of Reserves:

19. The analysis in Appendix A2 outlines the £0.082m movement on reserves during the third quarter of 2010/11. The drawdown is required to fund costs associated with projects and grant funded schemes taking place over two financial years. The general revenue reserve has remained unchanged at £2.544m.

    This report recommends an initial increase in the inflation reserve of £1.142m to £2.000m, and the creation of a new severance reserve, £2.000m, to contribute towards the cost of future severance initiatives

(C) 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 December 2010/11.

Prospects For Interest Rates

21. Short-term rates have remained at 0.5% in line with the forecast for them to remain on hold in the early part of the year because recovery in the economy was expected to be weak and protracted. Any increase from the current 0.5% to counter the effects of external inflation pressure is not expected in 2010/11 but may take place in the financial year 2011/12.

    Longer term rates were also expected to remain steady in the early part of 2010/11 before rising to above 5% by the end of the financial year. The rates fell during the first half of the financial year but rose above 5% following the Comprehensive Spending Review. Further upward pressure on longer-term Public Works Loans Board (PWLB) rates is expected towards the end of the financial year.

    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 2010/11. In this scenario, the strategy would be to reduce investments and borrow for short periods and possibly at variable rates when required.

Capital Borrowings and the Portfolio Strategy

22. The Authority's net capital borrowing requirement for 2010/11 was estimated at £6.7 million. In accordance with the strategy, no new long term borrowing has been arranged and investments have been minimised.

Annual Investment Strategy

23. The investment strategy for 2010/11 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 and for a maximum of one-year duration.

Extreme caution has been taken in placing investments to ensure security of funds rather than rate of return. The use of deposit accounts with high rated banks and AAA rated money market funds has enabled reasonable returns in a low interest rate environment. In the period 1st April to 30th December 2010 the average rate of return achieved on average principal available was 0.66%. This compares with an average seven day deposit (7 day libid) rate of 0.43%. As at 31st December 2010 the Authority had investments of £4.3m within the institutions outlined overleaf:

MERSEY FIRE & RESCUE - ANALYSIS OF INVESTMENTS END OF DECEMBER 2010

Institution	Credit Rating	MM Fund*	Bank / Other	Building Society
		£	£	£
Fidelity ICF	**AAA**	600,000	-	-
Goldman Sachs	**AAA**	200,000	-	-
HBOS Treasury Suspense A/c.	**AA-**	-	1,000,000	-
Nationwide Building Society.	**AA-**	-	-	1,000,000
Ignis Liquidity Fund - Class SL2 A/c.	**AAA**	1,300,000	-	-
Standard Life Global Liquidity Fund	**AAA**	200,000	-	-
Totals		2,300,000	1,000,000	1,000,000
Total Current Investments				4,300,000

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

External Debt Prudential Indicators

24. The external debt indicators of prudence for 2010/11 required by the Prudential Code were set in the strategy as follows:

Authorised limit for external debt:	£65 million
Operational boundary for external debt:	£55 million

Against these limits, the maximum amount of debt reached at any time in the first three quarters of the financial year 2010/11 was £46 million.

Treasury Management Prudential Indicators

25. The treasury management indicators of prudence for 2010/11 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: 25%

The maximum that was reached in the first three quarters of the financial year 2010/11 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 three quarters of the financial year 2010/11 was as follows: -

Maturity Period	Upper Limit	Lower Limit	Maximum	Minimum
Under 12 months	40%	0%	8%	3%
12 months and within 24 months	30%	0%	7%	2%
24 months and within 5 years	30%	0%	7%	4%
5 years and within 10 years	30%	0%	2%	2%
10 years and above	90%	0%	84%	82%

(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 2010/11. No such investments have been placed during 2010/11.

(D) Internal Audit

26. The Authority continues to "buy in" Internal Audit services from Liverpool City Council. Although no audit reports have been finalised since the last financial review report, the Internal Audit manager has prepared a progress report on what has been undertaken so far this and progress against the 2010/11 action plan. This report is attached as **Appendix E**. The report's executive summary can be found below:

"Based on the audit work completed to date our opinion on the level of assurances that can be given on the systems in place within the Authority is that the control environment is very good, with operational controls effectively being applied to ensure that risks are mitigated"

All outstanding audit work will be completed by the end of the year.

(E) 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. Appropriate performance indicators and the data collection

processes for those indicators continue to evolve in the drive for continuous improvement in the delivery of financial services. At present indicators relate to:

- Payment of invoices;
- Discounts obtained from prompt payments;
- Non-Payroll Expenses;
- Petty Cash; and
- Debtors.

Prompt Payment of Invoices

28. 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 Exchequer Services systems and procedures. Information about the prompt payment of invoices has now been incorporated within the suite of local performance indicators (LPI128) and is reported monthly through the Authority's management information system (OWLe).

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 second quarter performance over previous years confirms that system improvements continue to enable the Authority to pay invoices (some 4,816 in the quarter ended December 2010) promptly.

2007/08	99.8%
2008/09	99.9%
2009/10	100.0%
2010/11	99.9%

31. The target for prompt payment in 2010/11 is 100%. The third quarter's results confirm the Service continues to respond quickly and efficiently to requests for payment from suppliers with 11,971 out of 11,981 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 25 invoices that attracted prompt payment discount were paid generating savings of £2,278 with total savings for the year to date equating to some £4,804. 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. In line with the Government's drive for local transparency the Authority now publishes all payments to suppliers for goods and services over £500 on its website,http://www.merseyfire.gov.uk/aspx/pages/corporate/Access-To-Information.aspx#local All individual supplier payments over £500 are shown on a monthly analysis for the public to scrutinise.

Processing Petty Cash and Expense Claims

34. Performance indicators have also been developed to monitor the turnaround of employee expense claims and petty cash reimbursements. The purpose of these indicators is to give focus to quality service provision to ensure claimants are paid promptly. The Finance Department's internal Service Level Agreement in relation to processing those types of transactions are as follows:

Expense claims	-	100% in 1 working day
Petty cash reimbursements	-	100% in 2 working days

35. Performance against these targets for the equivalent quarter in previous years is as follows: (Cumulative)

	2007/8	2008/09	2009/10	2010/11
Expense payments	100%	97%	100%	100%
Petty cash reimbursements	100%	100%	100%	100%

36. The targets have proved extremely demanding in the drive for quality service provision. Significant improvements have been made to the various administrative processes and this is reflected in the consistently high performance over the period analysed.

Processing Sales Invoices and the Debt Recovery Process

37. 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 15 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)

38. Performance against these targets for the equivalent quarter in previous years is as follows: (Cumulative)

	2007/8	2008/09	2009/10	2010/11
SIRF Generation	73%	50%	69%	79%
Sales invoice production	90%	91%	97%	100%

39. 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. Work is currently ongoing to change systems and procedures to increase the number of prepayments and minimise the level of outstanding debt. 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.

40. The quarter saw the further automation of systems so that sales invoices are automatically emailed to customers that have provided their email address and SIRF originators simultaneously sent copies of those sales invoices produced on their behalf. Work has been commenced to develop customer statements as part of the drive to maintain contact with customers in an effort to recover the amounts owed by them.

41. A comparison of the number and value of aged debts over 60 days for the second quarter can be summarised as follows:

Number of debts 60 days+

	2007/8	2008/09	2009/10	2010/11
October	113	107	93	57
November	84	113	83	60
December	80	130	91	38

Value of debts 60 days+

	2007/8 £’000	2008/09 £’000	2009/10 £’000	2010/11 £’000
October	207	299	217	113
November	191	436	121	165
December	346	406	261	124

42. The Service raises approximately 1,200 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 potential “large” variations when comparing the same month over a four year period. The number of invoices outstanding over 60+ days fluctuates between 5% and 9% of the total raised in a 12 month period. The Authority’s debt recovery process commences 25 days after a sales invoice has been raised and the number of write offs anticipated each year is small.

Debtor accounts under £5,000 may be written off by Assistant Chief Executive & Treasurer. Five accounts totalling £1,366 been approved for write off in quarter 3 and **Appendix F** provides an analysis of the accounts and the reason for the write off.

Equality & Diversity Implications

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

Financial Implications & Value for Money

44. See Executive Summary.

Health & Safety and Environmental Implications

45. None arising from this report.

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

46. Sound budgetary management and the delivery of services within the approved budget helps the Authority deliver on its corporate aim of operating efficient and effective organisational functions that will support the core functions of the Authority in a way that provides value for money for the communities of Merseyside.

BACKGROUND PAPERS

Report CFO/013/10 "MFRA Budget and Financial Plan 2010/2011-2014/2015" Authority 18th February 2010.

Report CFO/111/10 "Revenue Outturn 2009-2010 & The Statement of Accounts" Authority 24th June 2010.

Report CFO/141/10 "Financial Review 2010/11 – April to June" Audit & Scrutiny Panel 2nd September 2010.

Report CFO/194/10 "Financial Review 2010/11 – April to September" Audit & Scrutiny Panel 29th November 2010.

Glossary of Terms

FMIS – Financial Management Information System
HART – (NWAS) Hazardous Area Response Team
HFSC – Home Fire Safety Check
MFRA – Merseyside Fire & Rescue Authority
NWAS – North West Ambulance Service
PPC – Prompt Payment Code

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.