AGENDA ITEM:

REPORT TO:	MERSEYSIDE FIRE & RESCUE AUTHORITY
DATE:	THURSDAY 16TH FEBRUARY 2012
REPORT NO.	CFO/032/12
REPORTING OFFICER:	DEPUTY CHIEF EXECUTIVE
CONTACT OFFICER:	IAN CUMMINS, HEAD OF FINANCE, EXTN. 4244
OFFICERS CONSULTED:	
SUBJECT:	FINANCIAL REVIEW 2011/12 – APRIL TO DECEMBER

APPENDIX A1: TITLE "Revenue Budget Movements Summary"
APPENDIX A2: TITLE "Budget Movement on Reserves 2011/2012"
APPENDIX A3: TITLE "Fire Service Revenue Budget Movements Summary"
APPENDIX A4: TITLE "Corporate Service Revenue Budget Movements Summary"
APPENDIX B: TITLE "Capital Programme 2011/2012"
APPENDIX C: TITLE "Updated 2011/2012 – 2015/2016 Capital Programme"
APPENDIX D: TITLE "Internal Audit Progress Report – April to December 2011"
APPENDIX D1: TITLE "MFRS – Information Security" internal audit report
APPENDIX E: TITLE "Bad Debt Write-Offs in Quarter 2"

ATTACHED – HARD COPY

A Glossary of Terms has been provided at the end of this report for your reference.

Purpose of Report

1. To review the financial position, both revenue and capital, for the Authority for 2011/12. 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 from April to December 2011.

Recommendation

2. That Members
   a. approve the 2011/12 budget variations identified in this report; and

b. note that the savings delivery plan is slightly ahead of schedule and approve the use of the resultant forecast underspend of £0.600m to increase reserves as outlined in the report, and

c. instruct the Deputy Chief Executive to continue to work with budget managers to maximise savings in 2011/12.

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. The Authority will seek to avoid compulsory redundancy wherever possible by using natural retirement rates and if required Voluntary Early Retirement (VER) / Voluntary Severance (VS).

The Authority is on target to deliver the 2011/12 budget savings in cash terms and is progressing well with the required structural changes in its workforce to maintain the required savings on a permanent basis. However the full cash savings will not be delivered until 2013 because of natural turnover rates of staff being low.

The total budget requirement remains at the original budget level of £69.781m, (appendix A1 – A4 outlines in detail all the revenue budget and reserve movements).

The Authority has a strategy of maximising savings and delivering its savings plan as early as possible in order to increase reserves as a hedge against the future financial challenges. A favourable revenue forecast has been identified of £0.600m. This report recommends allocating this £0.600m saving to increase specific reserves. Officers will continue to work through the remainder of the year to maximise any savings in order to increase reserves.

Capital:

Amendments to the capital programme have resulted in a reduction of £1.058m in spend, mostly by a reduction in the capital contingency provision. The level of borrowing has reduced by £0.125m following a reduction in the number of smoke alarm purchases required in 2011/12. The revised Capital Programme is outlined in Appendix B and C.

Reserves & Balances:

The general balance remains unchanged at £4.684m. All movements in reserves are outlined in Appendix A2.

Treasury Management:
Short-term interest rates have remained at 0.50% as expected. New long term borrowing of £3.0m has been arranged.

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. This report is the review of the Authority's position up to the end of the December the financial year 2011/12 (April – December 2011).

4. 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 – 2011/12

5. The purpose of the financial review report is to provide Members with an assurance on the overall financial health of the Authority, 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:

6. The attached **Appendix A** to this report summarises the revenue budget movements since the last financial review report. The net budget requirement remains at £69.781m which is consistent with the original budget.

Update on 2011/12 – 2013/14 Approved Saving Options:

7. The Authority approved a number of saving options as part of its medium term financial plan (MTFP) which delivered a saving of £5.500m in 2011/12 rising to £9.200m by 2013/14. During the period the Authority has made good progress in delivering savings.

8. At the time of writing this report the only option originally anticipated to be finalised in 2011/12 which has yet to be formally implemented, is the MACC review proposal that was considered by members at the Authority meeting on 21st July, 2011(report CFO/074/11). Officers are confident that negotiations with the unions and staff will be finalised in the very near future and the MACC staffing changes can be actioned.

   2012/13: The current financial plan anticipates that in 2012/13 the remaining approved saving options for; the Marine Rescue service; outsourcing of the Estates function; review of fire cover at Whiston / Huyton; will be delivered.

   Members considered proposals on the Marine Rescue service at the Authority meeting on the 19th January Report, CFO/018/12, and have approved the implementation of daytime crewing by Marine Rescue service staff between 0800hrs and 2000hrs (outside of these hours the Search and Rescue Team, SRT, would mobilise) that will deliver the approved saving for this function.

   Potential partners have been selected for the potential outsourcing of the Estates function and officers are currently finalising the tender documentation and it is hoped that the preferred partner will be confirmed early in the new year.

   Officers are finalising options around the future fire cover proposals for the Whiston / Huyton area and will bring options back to Members for them to consider in the near future.

9. Members will note that whilst challenging budget decisions have been made the full saving will not be delivered in cash terms until staff have left the organisation therefore the Deputy Chief Executive will continuously monitor actual staff numbers to ensure that the Service continues to deliver in “cash” terms the required saving target.

10. The programme of VER/VS has continued and earmarked reserves of £0.580m have been used to fund severance and early retirement costs

    Table A overleaf summarises the savings plan for the Authority. For the purposes of this table ‘finalised’ means fully allocated to specific budget lines.

Table A

Progress in allocating out 2011/12 Approved Saving Options					
	2011/12	**2012/13**	**2013/14**	**2014/15**	**2015/16**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
2011/12 Approved Savings:	**-5,500**	**-8,525**	**-9,200**	**-9,200**	**-9,200**
Complete:					
Assume Pay Bill Freeze 2010/11	-1,000	-1,000	-1,000	-1,000	-1,000
Assume Pay Bill Freeze 2011/12	-1,000	-1,000	-1,000	-1,000	-1,000
Reduction in Support Service Costs	-900	-1,300	-1,300	-1,300	-1,300
Review of Capital Programme Financing	-400	-400	-400	-400	-400
Rephasing of Vehicles Capital Programme		-100	-100	-100	-100
Manage dynamic reserve more effectively	-1,800	-2,300	-2,950	-2,950	-2,950
Reduce Senior Management Costs	-200	-400	-400	-400	-400
	-5,300	-6,500	-7,150	-7,150	-7,150
Approved Saving Options yet to be finalised:					
Assume Pay Bill Freeze 2012/13		-1,000	-1,000	-1,000	-1,000
Outsource Estates function		-250	-250	-250	-250
MACC Review	-200	-400	-400	-400	-400
Flexible Shift Patterns at Whiston		-300	-300	-300	-300
Flexible Shift Patterns at Marine 1		-75	-100	-100	-100
	-200	-2,025	-2,050	-2,050	-2,050
TOTAL	-5,500	-8,525	-9,200	-9,200	-9,200

Revenue Forecast Position:

11. 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.

Employee Costs

12. Employee costs make-up nearly 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.

13. Firefighter retirements have continued in line with the forecast profile adopted for the financial strategy. This means that the Authority is generating, in cash terms, savings in line with what is expected. The full saving will not be delivered until the end of 2013.

14. The support services establishment has been reduced by approximately 36 WTE posts (deletion of 14 WTE vacant posts and 22 WTE VER/VS approvals). This together with support service non-employee savings has achieved the approved £1.300m support service saving in the current financial plan. Including the deletion of grant funded posts and short term contracts 63 people have left the non-uniformed payroll in the last 12 months.

15. The overall employee spending forecast for the year is **£0.250m (or -0.4%) below budget** and this one-off saving is due to a combination of green book vacancies and staff not being at the budgeted top of the grade.

16. 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

17. The Deputy Chief Executive is continuing to work with budget holders to maximise savings in 2011/12 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 last financial review identified £0.800m of non-employee savings, this review has identified a further £0.350m of one-off saving;

Premises costs: A number of small budget savings have been forecast totalling £0.050m.

Contingency provision for 2011/12 price increases**:** Members will recall that the budget made no provision for pay bill increases in 2011/12. No pay offer has been made to staff this year and this financial review report assumes the pay bill freeze will be achieved in 2011/12. During the year officers have tried to contain any price inflation within their service budgets and avoid drawing down from the inflation provision. Therefore a £0.300m saving has been identified. Table B, below, summarises the forecast year-end revenue position for 2011/12;

Table B

Anticipated Year-End Revenue Position

Previous Year Actual		FIRE SERVICE BUDGET	CORP MGT BUDGET	TOTAL BUDGET	ACTUAL as at 31.12.11	FORE-CAST	VARI-ANCE
£'000				**£'000**	**£'000**	**£'000**	**£'000**
	Expenditure						
56,027	Employee Costs	56,410	389	56,799	39,859	56,549	-250
2,546	Premises Costs	3,032		3,032	1,650	2,982	-50
1,728	Transport Costs	1,624		1,624	1,176	1,624	0
4,270	Supplies and Services	4,777	67	4,844	2,431	4,844	0
2,432	Agency Services	2,188		2,188	2,121	2,188	0
237	Central Support Services	240	148	388	152	388	0
5,267	Capital Financing	5,690		5,690	0	5,690	0
	Income						
-3,163	Fees & other service income	-2,010		-2,010	-1,131	-2,010	0
-1,750	Grants and Contributions	-1,382		-1,382	-1,578	-1,382	0
72,507	**Net Expenditure**	**70,569**	**604**	**71,173**	**44,680**	**70,873**	**-300**
	Contingency Pay&Prices			**498**	0	198	-300
72,507	**Cost of Services**	**70,569**	**604**	**71,671**	**44,680**	**71,071**	**-600**
-187	**Interest on Balances**			-50	-20	-50	0
2,814	**Movement on Reserves**			-1,640	0	-1,640	0
75,134	**Total Operating Cost**	**70,569**	**604**	**69,981**	**44,660**	**69,381**	**-600**

<u>Other Potential Issues:</u>

18. **Home Fire Safety Checks, (HFSC);** The Authority has a 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. The Deputy Chief Executive will consider at the year-end if the option of funding the capitalised installation costs through borrowing or other specific funding is worthy of contemplation in the short term as part of an overall financial strategy.

Summary of Revenue Forecast Position:

19. The Authority has made good progress in implementing the approved budget saving options and required organisational structure changes. However savings will not be fully delivered until 2013 because of low natural turnover rates.

    Overall the forecast for the year-end is £0.600m saving, and proposals for this are discussed in the reserve section of this report. The Deputy Chief Executive is continuing to work with budget holders to maximise savings in 2011/12 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.

Capital Forecast Position:

20. Members approved an updated 5 year capital programme when they considered the last Financial Review report, CFO/145/11, totalling £36.069m. This has now been updated for;

    a. Toxteth Firefit Hub, Statements have been updated to reflect the latest funding position. The Authority's contribution remains at £2.8 million which is equivalent to the new build cost of a typical fire station (based on the PFI project). This is in part funded (£0.753m) from CLG Capital grant .

    b. The annual capital provision for smoke alarms equates to approximately 100,000 units. The actual required number this year has been closer to 80,000 reducing the planned spend on alarms and associated installation costs by £0.305m.

    c. The latest forecast of expenditure profiles has resulted in a small amount of re-phasing but the overall project spending totals have remained unchanged. This is discussed in more detail in the paragraphs below.

    d. The sale of Speke workshop is proceeding but the final receipt is now not expected to be completed until 2012/13, and therefore the capital receipt has now been shown in that year.

    The changes to the capital programme since the last financial review are summarised in Table C, overleaf:

TABLE C

Movement in the 5 Year Capital Programme Since the Last Financial Review	Total Cost	2011/12	2012/13	2013/14	2014/15	2015/16
Expenditure	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
2011/12 re-phasings	0.0	-1,912.0	1,978.0			-66.0
Smoke Alarms spend reduction	-125.0	-125.0				
Smoke Alarms - installation costs	-180.0	-180.0				
Reduction in Capital Contingency	-753.0	-753.0				
	-1,058.0	**-2,970.0**	**1,978.0**	**0.0**	**0.0**	**-66.0**
Funding						
Cap Receipts - re-phase Speke Workshop sale	0.0	-470.0	470.0			
RCCO - reduced smoke alarm installations costs	-180.0	-180.0				
Grants;						
CLG Capital Grant commitment	-753.0	-753.0				
Borrowing:						
Impact of Scheme Re-phasing	0.0	-1,912.0	1,978.0			-66.0
Impact of Cap Receipts re-phasing	0.0	470.0	-470.0			
Smoke Alarms spend reduction	-125.0	-125.0				
	-1,058.0	**-2,970.0**	**1,978.0**	**0.0**	**0.0**	**-66.0**

21. The re-phasing of the budget reflects the following major changes:

   i. Building & Land Programme, total re-phasing £1.480m;
   - Toxteth Hub, re-phase £0.750m into 2012/13 to accurately reflect future payments. The project still remains on target and to be completed by mid / late summer 2012.
   - LLAR Accommodation Eccleston, the project has been slightly delayed as options are currently being considered, re-phase £0.268m.
   - St Helens building improvements will now be completed in 2012/13, re-phase £0.200m.

   ii. ICT, re-phase £0.293m: 3 small projects will now be completed in 2012/13 because of procurement timescales

   iii. Operational Equipment & Hydrants, re-phase £0.218m:
   - Water delivery system, re-phase £0.066m as product is still in the development stage and will not be available until 2012/13
   - A number of small equipment schemes are on hold pending finalisation of service specification and the identification of service demands, re-phasing of £0.104m
   - £0.035m was earmarked for a system for hovercraft transportation in case the current system proves inefficient or unsuccessful. The current process works well but is under review.

22. The majority of schemes are on target to be completed on time and on budget.

23. Private Finance Initiative (PFI). The planned demolition and building work are progressing well and in line with that planned. The PFI agreement assumed ground conditions for building works would be reasonable, but if any exceptional

unforeseen complications were identified then the risk would lie with the relevant authority. The Authority recognised this inevitable risk with large scale building projects and created a Capital/PFI reserve of £2m prior to commencement of the project based broadly upon 10% of the capital cost of the building project being undertaken. Two potential calls on that reserve have been identified;

(a) Asbestos has been found under the demolished Kirkdale Fire Station site requiring specialist removal works to make the site safe and healthy for the future. It was not possible to spot this in testing prior to commencement because it was located under the building.

(b) Soft ground thought to be because of an old filled in pond at the Newton-le-Willows site requires additional foundation work. Again It was not possible to spot this in testing prior to commencement because it was located under the building. The land does not cause an issue with the current station because it is only one storey high and building regulations have become tougher since the original building was erected.

Final costings have yet to be confirmed but look to be in the region of £0.350m (or less than 2% of the capital building cost. The PFI / Capital reserve will be used as intended to fund these costs when they are confirmed. 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.

Reserves:

24. The analysis in Appendix A2 outlines the movement on reserves during the third quarter of 2011/12. The only movement relates to a draw down from the severance reserve to cover the cost of VER/VS approvals in the third quarter of £0.043m.

The general revenue reserve has remained unchanged at £4.684m.

25. The service has a number of major projects planned for 2012/13;

- a potential joint control room with Merseyside Police and the North West Ambulance Service;
- a possible new fire station in the Whiston / Huyton area partially occupied by Merseyside Police;
- a number of new significant ICT projects requiring potential one-off set-up costs; and;
- the need to continue to modernise the way the organisation delivers its services to the people of Merseyside in light of the financial challenge ahead.

The Deputy Chief Executive would therefore recommend to members that the forecast £0.600m revenue savings identified in this report be used to add to the Capital / Investment reserve by £0.600m to provide a potential source of funding should these initiatives require additional funds. This might also allow capital investment without increasing borrowing.

(B) Treasury Management

26. 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 2011/12.

Prospects For Interest Rates

27. Short-term rates have remained at 0.5%, in line with the forecast for them to stay on hold because of the crisis in the Euro-zone, tight economic policies and weak consumer confidence. Any recovery in the economy was expected to be weak and protracted. No increase from the current 0.5% is now expected before 2013.

Longer term rates were also expected to remain steady in the early part of 2011/12 but rise later in the year. By the end of November 2011, those rates fell from 5.25% at the start of the year, to around 4.25% as a result of quantitative easing i.e. the purchase of gilts by the Treasury and the flight of investment funds to safe haven instruments. However, the influence of these factors is likely to reduce before the close of the financial year. The effect will be upward pressure on longer-term Public Works Loans Board (PWLB) rates.

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 2011/12. 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

28. The Authority's net capital borrowing requirement for 2011/12 was estimated at £10 million. It was decided to undertake some fixed rate borrowing because cash flow forecasts indicated that borrowing would be required later in the year and interest rates had reached a low point. New borrowing of £2 million was arranged from the Public Works Loans Board to replace a loan that would reach maturity later in the year. The original loan had an interest rate of 4.55%. The replacement loans have an average rate of 2.67%.

In December 2011, market forecasts were that another low point had been reached and future movements were more likely to be upward. This resulted in a decision to borrow another £3 million. The loans were arranged at an average period of 4 years and at an average interest rate of 1.82%. This compares with the average PWLB 4-year rate offered during the year of 2.45%.

Annual Investment Strategy

29. The investment strategy for 2011/12 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 31 December 2011 the average rate of return achieved on average principal available was 0.74%. This compares with an average seven day deposit (7 day libid) rate of 0.48%. The Authority had investments of £8.000m as at 31st December 2011, (most of which is due to the receipt of firefighter pension grant which is paid in July to cover the cost of pension payments in 2011/12):

ANALYSIS OF INVESTMENTS END OF DECEMBER 2011

Institution	Credit Rating	MM Fund*	Bank / Other	Building Society
		£	£	£
Fidelity	**AAA**	200,000	-	-
Goldman Sachs	**AAA**	1,800,000		-
Natwest	**A**		2,000,000	
HBOS	**AA**		2,000,000	
Coventry B Soc	**A**			2,000,000
Totals		2,000,000	4,000,000	2,000,000
Total Current Investments				8,000,000

**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

30. The external debt indicators of prudence for 2011/12 required by the Prudential Code were set in the strategy as follows:

Authorised limit for external debt:	£63 million
Operational boundary for external debt:	£58 million

Against these limits, the maximum amount of debt reached at any time in the period 1st April 2011 to 31 December 2011 was £46.1 million.

Treasury Management Prudential Indicators

31. The treasury management indicators of prudence for 2011/12 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 2011/12 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 period 1st April to 31 December 2011 was as follows: -

Maturity Period	Upper Limit	Lower Limit	Maximum	Minimum
Under 12 months	30%	0%	5%	2%
12 months and within 24 months	30%	0%	6%	3%
24 months and within 5 years	30%	0%	10%	1%
5 years and within 10 years	30%	0%	8%	3%
10 years and above	90%	0%	86%	77%

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 2011/12. No such investments have been placed during 2011/12.

(C) Internal Audit

32. The Authority continues to "buy in" Internal Audit services from Liverpool City Council. Most audit work is carried out in the last part of the year to fit in with the service work demands and provide relevant data and system checks for the year-end.

33. One audit report, IT "Information Security Policy" has been completed since the last review and it found the level of assurance to be significant (control systems are operating effectively), the report is attached for information as Appendix D1. The Authority's Audit Manager has prepared an internal audit report for the period April to December 2011 and it is attached to this report as Appendix D for Members information. The report concludes that

"..*no areas of concern have been identified that would suggest the overall control environment is other than adequate, with appropriate risks being mitigated..*"

(D) Monitoring of Financial Progress

34. 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:
(a) Payment of invoices,

(b) Discounts obtained from prompt payments;
(c) Debtors

Prompt Payment of Invoices

35. 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) and is reported monthly through the Authority's management information system (OWLe).

36. 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 cash flow 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.

37. A comparison of the second quarter performance over previous years confirms that system improvements continue to enable the Authority to pay invoices (some 3,481 in the quarter ended September 2011) promptly.

2007/08	99.8%
2008/09	99.9%
2009/10	100.0%
2010/11	99.9%
2011/12	99.9%

38. The target for prompt payment in 2011/12 is 100%. The first quarter's results confirm that the Service continues to respond quickly and efficiently to requests for payment from suppliers with 3,677 out of 3,680 invoices being paid within the required timeframe.

39. We have continued to ensure discounts due to the prompt payment of invoices being vigorously pursued. During the quarter a total of 27 invoices that attracted prompt payment discounts were paid generating savings of £1,063 with total savings for the year to date equating to some £4,149. 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.

40. 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 1st April 2009 to 30th September 2011. 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.

Processing Sales Invoices and the Debt Recovery Process

41. 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)

42. 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 that 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.

The Age Profile of Outstanding Debt

43. 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+

	2007/8	2008/09	2009/10	2010/11	2011/12
October	113	107	93	57	19
November	84	113	83	60	20
December	80	130	91	38	21

Value of debts 60 days+

	2007/8 £'000	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000
October	207	299	217	113	25
November	191	436	121	165	65
December	346	406	261	124	67

44. 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 five 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. The increase in the value of debt in 2008/09 is attributable to success in attracting external funding for WFG08.

45. Debtor accounts under £5,000 may be written off by Deputy Chief Executive. One account totalling £272 has been approved for write-off by the Deputy Chief Executive following advice from Legal services. Details of this account and the reason for write off can be found in **Appendix E attached** to this report.

Equality & Diversity Implications

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

Staff Implications

47. None directly related to this report.

Legal Implications

48. None directly related to this report.

Financial Implications & Value for Money

49. See Executive Summary.

Risk Management, Health & Safety and Environmental Implications

50. None arising from this report.

Contribution to Our Mission

**“To Achieve Safer Stronger Communities - Safe Effective Firefighters ”
** Currently part of the IRMP 2012-2015 Consultation

51. 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/016/11 “MFRA Budget and Financial Plan 2011/2012-2015/2016” Authority 17th February 2011.

Report CFO/066/11 “Revenue Outturn 2010-2011” Authority 30 June 2011.

Report CFO/094/11 “Financial Review 2011/12 – April to June” Audit & Value For Money Scrutiny Panel 9th September 2011.

Report CFO/0145/11 “Financial Review 2011/12 – April to September” Authority 29th November 2011.

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

WTE – Whole Time Equivalent employee number

VER/VS – Voluntary Early Retirement / Voluntary Severance

PFI - Private Finance Initiative

LIBID – London Interbank Bid Rate