MERSEYSIDE FIRE AND RESCUE AUTHORITY			
MEETING OF THE:	AUTHORITY BUDGET MEETING		
DATE:	27 FEBRUARY 2014	REPORT NO:	CFO/010/14
PRESENTING OFFICER	DEPUTY CHIEF EXECUTIVE		
RESPONSIBLE OFFICER:	KIERAN TIMMINS	REPORT AUTHOR:	IAN CUMMINS
OFFICERS CONSULTED:	SMG		
TITLE OF REPORT:	FINANCIAL REVIEW 2013/14 – APRIL TO DECEMBER		

APPENDICES:	APPENDIX A1:	2013/14 Revenue Budget Movements Summary
	APPENDIX A2:	Budget Movement on Reserves 2013/2014
	APPENDIX A3:	2013/14 Fire Service Revenue Budget Movements Summary
	APPENDIX A4	2013/14 Corporate Service Revenue Budget Movements Summary
	APPENDIX B:	Capital Programme 2013/2014
	APPENDIX C:	Updated 2013/2014 – 2017/2018 Capital Programme
	APPENDIX D:	Qtr 3 Write-Offs

Purpose of Report

1. To review the financial position, revenue and capital, for the Authority for 2013/14. 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 December 2013.

Recommendation

2. That Members:
   a) Approve the 2013/14 budget amendments as set out in this report; and
   b) Approve the utilisation of the £1.500m favourable revenue position to increase in the smoothing reserve in light of the future financial challenge facing the Authority; and
   c) Instruct the Deputy Chief Executive to continue to work with budget managers to maximise savings in 2013/14.

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 is on target to deliver the 2013/14 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.

The total budget requirement remains at the original budget level of £66.721m, (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. Overall this report has identified that the Authority is £1.5m "ahead of target" with its saving plan. Members are asked to approve utilising this saving to fund an increase in the smoothing reserve in light of the future financial challenge facing the Service. The Deputy Chief Executive is continuing to work with budget holders to maximise savings in 2013/14.

Capital:
The capital programme planned spend has increased by £0.842m as a result of amendments to schemes approved by members. As most of the change is funded by specific grant or other non-borrowing funding the level of borrowing required has actually fallen by £0.081m. The revised Capital Programme is outlined in Appendix B and C.

Reserves & Balances:
The general balance remains unchanged at £2.894m. All movements in earmarked 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.

Introduction and Background

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 December of the financial year 2013/14 (April – December 2013).

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 Review – 2013/14

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 £66.721m which is consistent with the original budget.

8. There have been a number of budget adjustments with no net impact because they are either self-balancing virements within department budgets or budget increases financed by reserves. The net drawdown from reserves for the period was £0.716m, of which;
   - £0.327m was the planned allocation from the capital investment reserve to fund approved capital programme changes. In particular variations to the

Joint Command and Control Centre (JCC) £0.166m and the new Time & Resource Management System £0.161m; and

- £0.351m was from the ill health penalty reserve to fund the payment of the penalties arising from firefighter ill health retirements.

9. Update on 2013/14 Elements of Financial plan yet to be Achieved:

The Authority approved total savings of £19.3m (Phase 1 & 2) as part of the 2011/12 - 2017/18 financial plans. Of these £14.3m was expected to be fully implemented by 2013/14. This has largely been achieved with just £0.329m yet to be formally implemented. Plans are well advanced to deliver these remaining savings (and in cash terms the total value of savings will be delivered in the year). The outstanding options are;

Phase 1:

- Estates £0.154m; restructuring the outsourcing of facilities management work was anticipated to save £0.250m p.a. The project was deferred for a number of reasons but has now re-commenced and is expected to be finalised in the next 12 months. In the mean-time the Service has reviewed the cleaning function in-house and has now implemented a revised staffing structure saving £0.1m. This leaves £0.150m to be found from the restructuring of contracts for facilities management function.

Phase 2:

- Cuts in Support Costs £0.175; the balance reflects some outstanding Service business re-engineering work that is required before the remaining savings can be formally implemented. It was always anticipated that the full implementation would take two years

Table A below summarises the position in terms of the implementation of the approved savings at the time of writing this report:

Progress in allocating out Phase 1 & 2 Approved Saving Options				
	2013/14	**2014/15**	**2015/16**	**2016/17**
	£'000	**£'000**	**£'000**	**£'000**
Phase 1: 2011/12-2012/13 Approved Savings:	**-9,200**	**-9,200**	**-9,200**	**-9,200**
Approved Saving Options yet to be formally implemented:				
Outsource Estates function	-154	-154	-154	-154
Value of Saving Optons yet to be formally implemented	-154	-154	-154	-154
Phase 2 2013/14 - 2014/15 Approved Savings:	**-5,125**	**-10,060**	**-10,002**	**-10,077**
Approved Saving Options yet to be formally implemented:				
Phase 2 Cuts in Support Savings	-175	-405	-405	-405
Income Generation	0	0	-100	-100
Value of Saving Options yet to be formally implemented	-175	-405	-505	-505
Total Value of Approved Savings Options	**-14,325**	**-19,260**	**-19,202**	**-19,277**
2011/ 12 - 2014/15 Approved Savings yet to be formally implemented:	**-329**	**-559**	**-659**	**-659**

Actual staff numbers are continually monitored to ensure the Service continues to deliver in "cash" terms the required saving target.

Revenue Forecast Position:

10. The Authority is expecting to receive further grant cuts in 2014/15 and 2015/16 based on the provisional local government finance settlement. Therefore, as part of its approved strategy, the Authority has directed Officers to maximise savings in the year to contribute towards the building up of reserves. Such reserves can then be used as part of an implementation and risk management strategy to deliver savings. The paragraphs above discuss how options have been formally finalised and incorporated into the Authority budgets. The Authority then monitors actual expenditure against these budgets. The paragraphs below discuss actual expenditure against budget and identify additional one-off savings of £1.500m;

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. This is therefore monitored extremely closely.

A number of variations have been identified:-

- Firefighter retirements are slightly ahead of schedule compared to the forecast profile adopted for the financial strategy.
- Staff turnover within some green book posts has resulted in short term vacancies
- Not all post-holders are at the top of their budgeted grade.

Therefore the employee forecast now anticipates a small favourable variance, and direct staff costs are expected to be below budget by approximately £0.655m or -1%.

A small favourable variance on indirect employee costs (including the 2013/14 ill health penalty provision and training allowances) delivers a saving of approximately £0.100m.

Members will also wish to note that in particular the revised staffing model has been fully implemented including the move to 28 appliances and a restructured shift systems and work routine for all firefighters. This will increase productivity which offsets to some degree the impact of government funding cuts.

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 and report back in more detail on savings that are ahead of target as the year progresses.

Other Non-Employee Revenue Costs

The Deputy Chief Executive is continuing to work with budget holders to maximise savings in 2013/14. The latest indications are that some additional savings may be delivered through careful management through the year; specifically;

- Supplies and services – the budget for professional services is forecast to save £0.200m. Other minor supply budget variances in lines such as administrative costs, training, cleaning supplies, travel subsistence, and subscriptions; have contributed £0.030k increasing the overall forecast saving to £0.230m.
- Central support services – External Audit have reduced the audit fee in light of the revised audit schedule in recent years resulting in a £0.025m saving. Small one-off savings on contracts have increased the overall forecast saving to £0.040m.
- 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. As a result of the re-phasing of £3.5m of capital schemes from 2012/13 into later years and treasury management policies which seek to delay borrowing by minimising investments, have resulted in a forecast saving on debt and interest payments of £0.500m.
- Income- a small increase in secondment income of £0.025m is expected this year.
- 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 approved treasury management strategy the Authority seeks to delay borrowing by keeping investment 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 of £0.100m.
- Contingency provision for pay and prices – 2013/14 pay awards have been consistent with that assumed in the financial plan of 1%. In addition an attempt has been made to absorb, at least in the first instance, any non-employee inflation from within the relevant budget line. As a consequence the estimated saving on the contingency for prices provision in 2013/14 is £0.050m

Summary of Revenue Forecast Position:
The Authority has made good progress in implementing the approved budget saving options and required organisational structure changes with only a small number yet to be formally implemented. Firefighter retirements are slightly ahead of that assumed in the financial plan and therefore the Service continues to deliver in “cash” terms it’s required saving target.

Overall the latest forecast has identified a revenue saving of £1.500m. The Deputy Chief Executive is continuing to work with budget holders to maximise savings in 2013/14. Table B overleaf summarise the revenue year-end forecast position based on spend to the end of December 2013:

Table B: Anticipated Year-End Revenue Position

	FIRE SERVICE BUDGET	CORP MGT BUDGET	TOTAL BUDGET	ACTUAL as at 31.12.13	FORE-CAST	VARI-ANCE
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Expenditure						
Employee Costs	52.423	0.394	52.817	36.681	52.062	-0.755
Premises Costs	3.176	0.000	3.176	1.793	3.176	0.000
Transport Costs	1.735	0.000	1.735	1.233	1.735	0.000
Supplies and Services	4.472	0.069	4.541	2.379	4.311	-0.230
Agency Services	4.557	0.000	4.557	3.739	4.557	0.000
Central Support Services	0.277	0.129	0.406	0.272	0.366	-0.040
Capital Financing	8.787	0.000	8.787	0.000	8.287	-0.500
Income	-5.933	0.000	-5.933	-3.794	-5.958	-0.025
Net Expenditure	69.494	0.592	70.086	42.303	68.536	-1.550
Contingency Pay&Prices	0.230		0.230	0.000	0.180	-0.050
Cost of Services	69.724	0.592	70.316	42.303	68.716	-1.600
Interest on Balances	-0.367		-0.367	0.014	-0.267	0.100
Movement on Reserves	-3.228		-3.228	0.000	-3.228	0.000
Total Operating Cost	66.129	0.592	66.721	42.317	65.221	-1.500

Capital Forecast Position:

11. The last financial review report (CFO/129/13) approved a 5 year capital programme worth £37.934m. This has now been updated for approved scheme additions and changes during the third quarter of the year of £0.842m. Although the level of planned expenditure has increased as most of it is funded by specific resources the required level of borrowing has actually reduced by £0.081m. The variations in the programme are:

- **"New Breathing Apparatus Sets (CFO/140/13)",** The Authority approved the purchase of new breathing apparatus sets including telemetry at a gross cost of £0.352m of which £0.133m is being funded by a Government grant.
- **"Fire Risk Management in Residential Blocks (CFO/135/13)",** The Authority approved a £0.200m capital fund to support the installation of fire suppression and engineered solutions to enhance the safety of firefighters and residents in purpose built blocks of flats. The scheme will be funded from a drawdown from the capital investment reserve.
- **"Purchase of a Time Resource Management Application (CFO/132/13)**", The Authority approved the purchase of a replacement time resource management system to assist with operational workforce planning. The potential capital cost was estimated at £0.200m of which £0.161m has been funded from the capital reserve and the rest from savings within the overall ICT capital programme.
- **"Analytical Computer Tool for Prevention work"**, £0.090m was earmarked in the Capital Reserve to fund this project that would assist officers in managing in monitoring performance in delivering the IRMP, local IRMPS and other service and functional projects. £0.040m had already been drawn down and in this quarter the balance, £0.050m, has now been drawn down.

- **“Joint Command and Control Centre(CFO/004/14)”,** Members approved additional investments in the JCC scheme. Overall costs increased by £0.329m, of which the Police would fund £0.163m. The Authority investment in a relocated reception which will deliver revenue savings will be financed by the capital reserve.
- Re-phasing of £1.468m of schemes from 2013/14 into future years to reflect the latest scheme deliver times particularly for building schemes such as Formby LLAR replacement accommodation which has slipped due to alternative options being identified and requiring appraisal and the procurement of special vehicles such as the prime movers as officers are currently appraising the replacement options available to the Service.
- The service now targets those households most at risk for free smoke alarm installations. In addition the Service offers other more affluent and lower fire risk households a charged fire alarm installation service. The latest estimated spend on smoke alarms forecasts a saving of £0.100m and a reduction in installation costs of £0.150m. Therefore overall the reduction in smoke alarms & installation costs is £0.250m. In addition income received from charged services is expected to fund £0.050m of smoke alarms per annum, reducing the anticipated borrowing costs.
- Other minor movements between schemes within the approved programme have been actioned to reflect small variations in spend.

12. The changes are summarised in Table C below. The revised detailed capital programme is attached as **Appendix B** (2013/14 Capital Programme) and **Appendix C** (2013/14–2017/18 Capital Programme) to this report.

TABLE C

Movement in the 5 Year Capital Programme						
	Total Cost	**2013/14**	**2014/15**	**2015/16**	**2016/17**	**2017/18**
Expenditure	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
2013/14 re-phasings	0.0	-1,467.5	1,589.0	-81.5	-20.0	-20.0
New Schemes;						
BA Sets Replacement & Telementary(CFO/140/13)	352.0		352.0			
Fire Risk Mgt in Residential Blocks (CFO/135/13)	200.0		200.0			
Time Resource Mgt System (CFO/132/13)	161.0	161.0				
Amendments to Approved Schemes;						
Analytical Tool project (IT040)	50.0		50.0			
JCC SHQ build scheme (CFO/004/14)	328.6	328.6				
Reduction in Smoke Alarm spend / Installation	-250.0	-250.0				
	841.6	**-1,227.9**	**2,191.0**	**-81.5**	**-20.0**	**-20.0**
Funding						
External Contributions						
M'side Police (JCC)	163.0	163.0				
Capital Reserve	576.6	326.6	250.0			
Capital spend funded from the Revenue Budget	50.0	-150.0	50.0	50.0	50.0	50.0
Grants:						
Government grant to fund Breathing Apparatus scheme	133.0		133.0			
Borrowing:						
Re-phasing of approved schemes into future yrs	0.0	-1,467.5	1,589.0	-81.5	-20.0	-20.0
Reduction in Smoke Alarm expenditure	-100.0	-100.0				
Non-grant element of Breathing Apparatus scheme	219.0		219.0			
Reduction in Smoke Alarms funded by borrowing	-200.0		-50.0	-50.0	-50.0	-50.0
	841.6	**-1,227.9**	**2,191.0**	**-81.5**	**-20.0**	**-20.0**

Use of Reserves:

13. The analysis in Appendix A2 outlines the £0.716m movement on reserves during the third quarter of 2013/14. £0.351m relates to the planned use of the ill health penalty reserve to cover the penalty payment related to ill health retirements. £0.327m was the planned allocation from the capital investment reserve to fund approved capital programme changes (JCC build £0.166m and the new Time Resource Management system £0.161m discussed above). The balance, £0.038m relates to the drawdown from the New Dimensions grant reserve to fund operational investment in equipment and supplies.

    The general revenue reserve has remained unchanged at £2.894m.

    This report is proposes utilising the £1.500m forecast revenue saving to increase the smoothing reserve in light of the future financial challenges.

(B) Treasury Management Review

14. 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 2013/14.

15. **Prospects for Interest Rates**
    Optimism in growth forecasts has continued and a modest and sustained recovery over the next three years is indicated by the Bank of England. Inflation forecasts are also still benign. However, there is still a relatively weak outlook for economic growth and the prospects for any increase in Bank Rate before 2015 are low. 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.

    It was expected that there would be upward pressure on longer term rates due to a high volume of debt issuance and improved prospects of a return to economic growth. Long term PWLB rates rose by 0.25% during the first quarter then remained flat in the second quarter. Forecasts are for higher PWLB rates later in the year as a result of an improved economic recovery.

    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 2013/14. In this scenario, the strategy would be to reduce investments and borrow for short periods and possibly at variable rates when required.

16. **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 2013/14. Current market conditions continue to be

unfavourable for any debt rescheduling.

17. **Annual Investment Strategy**
The investment strategy for 2013/14 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.

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 or 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 December 2013 the average rate of return achieved on average principal available was 0.71%. This compares with an average seven day deposit (7 day libid) rate of 0.36%.

The Authority had investments of £13.6m as at 27 December 2013, (most of which is due to the carry forward of £17.4m of investments from 2012/13 and the receipt of £19m of firefighters pension grant in July 2013):

ANALYSIS OF INVESTMENTS END OF December 2013				
Institution	**Credit Rating**	**MM Fund***	**Bank / Other**	**Building Society**
		£	**£**	**£**
Ignis Liquidity Fund	**AAA**	1,600,000		
Handelsbanken Inst Access	**A**		2,000,000	
West Bromwich B Soc	**Unrated**			1,000,000
HBOS 12 Month FTD	**A**		4,000,000	
Nationwide BS	**A**			2,000,000
Skipton Building Society	**Unrated**			1,000,000
Newcastle Building Society	**Unrated**			1,000,000
Nottingham Building Soc	**Unrated**			1,000,000
Totals		1,600,000	6,000,000	6,000,000
Total Current Investments				**13,600,000**

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

18. **External Debt Prudential Indicators**
The external debt indicators of prudence for 2013/14 required by the Prudential Code were set in the strategy as follows:

Authorised limit for external debt: £82 million
Operational boundary for external debt: £48 million

Against these limits, the maximum amount of debt reached at any time in the April to December 2013/14 was £45.1 million.

19. **Treasury Management Prudential Indicators**

The treasury management indicators of prudence for 2013/14 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 half of the financial year 2013/14 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 April to December 2013/14 was as follows: -

Maturity Period	Upper Limit	Lower Limit	Maximum	Minimum
Under 12 months	80%	0%	3%	0%
12 months and within 24 months	50%	0%	3%	2%
24 months and within 5 years	50%	0%	9%	7%
5 years and within 10 years	50%	0%	10%	10%
10 years and above	80%	0%	77%	75%

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 2013/14. No such investments have been placed during 2013/14.

(C) Internal Audit

20. The Authority continues to “buy in” Internal Audit services from Liverpool City Council. Most audit work is carried out in the last quarter of the year to fit in with the Service work demands and provide relevant data for the year. Since the last financial review no new internal audit reviews have been completed although a number have commenced.

(D) Financial Process Monitoring / Performance Indicators

21. 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

22. 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) and is reported monthly.

23. 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.

24. A comparison of the third quarter performance over previous years confirms the effectiveness of systems and procedures that continue to enable the Authority to pay invoices (some 2,582 in the quarter ended December 2013) promptly.

2009/10	100.0%
2010/11	99.9%
2011/12	99.9%
2012/13	99.8%
2013/14	100.0%

25. The target for prompt payment in 2013/14 is 100%. The third quarter's results confirm the Service continues to respond quickly and efficiently to requests for payment from suppliers with 100% of invoices being paid within the required timeframe.

26. We have continued to ensure discounts due from the prompt payment of invoices are vigorously pursued. During the quarter a total of 42 invoices that attracted prompt payment discounts were paid generating savings of £709, with total savings for the year of £5,211. 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.

27. 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 31 December 2013. 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.

28. Processing Sales Invoices and the Debt Recovery Process
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 35 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)

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

	2009/10	2010/11	2011/12	2012/13	2013/14
SIRF Generation	69%	79%	86%	84%	92%
Sales invoice production	97%	100%	100%	100%	100%

30. 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 being raised prematurely to remove the potential for a credit note to be raised and an amended invoice reissued.

31. The Age Profile of Outstanding Debt
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+

	2009/10	2010/11	2011/12	2012/13	2013/14
October	93	57	19	43	38
November	83	60	20	40	23
December	91	38	21	36	26

Value of debts 60 days+

	2009/10 £'000	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000
October	217	113	25	58	61
November	121	165	65	69	18
December	261	124	67	50	25

32. 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 2013/14 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.

33. Debtor accounts under £5,000 may be written off by the Deputy Chief Executive. Six accounts have been approved for write-off under delegated powers totalling £1,805 (excl. VAT) following advice from the litigation service.

Equality and Diversity Implications

34. There are no equality and diversity implications contained within this report.

Staff Implications

35. The biggest expenditure for the Authority is staff. A number of budget options have impacted upon staff.

Legal Implications

36. The Authority is required by law to manage its financial affairs effectively.

Financial Implications & Value for Money

37. As set out in the body of the report an overall underspending of £1.5m is identified in 2013/14.

Risk Management, Health & Safety, and Environmental Implications

38. None arising from this report.

Contribution to Our Mission: *Safer Stronger Communities* – *Safe Effective Firefighters*

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

BACKGROUND PAPERS

CFO/025/13 MFRA Budget and Financial Plan 2013/2014-2017/2018" Authority 26th February 2013.

CFO/115/13 Financial Review 2013/14 – April to June" Policy & Resources Committee 26 September 2013

CFO/129/13 Financial Review 2013/14 – April to September" Policy & Resources Committee 19 November 2013.

GLOSSARY OF TERMS

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