MERSEYSIDE FIRE AND RESCUE AUTHORITY			
MEETING OF THE:	**MERSEYSIDE FIRE &RESCUE AUTHORITY POLICY AND RESOURCES COMMITTEE**		
DATE:	**23 SEPTEMBER 2014**	**REPORT NO:**	**CFO/097/14**
PRESENTING OFFICER	**DEPUTY CHIEF EXECUTIVE**		
RESPONSIBLE OFFICER:	**KIERAN TIMMINS**	**REPORT AUTHOR:**	**IAN CUMMINS**
OFFICERS CONSULTED:			
TITLE OF REPORT:	**FINANCIAL REVIEW 2014/15 - APRIL TO JUNE**		

APPENDICES:	**APPENDIX A1:**	**REVENUE BUDGET MOVEMENTS SUMMARY**
	APPENDIX A2:	**BUDGET MOVEMENT ON RESERVES**
	APPENDIX A3:	**FIRE SERVICE REVENUE BUDGET MOVEMENTS SUMMARY**
	APPENDIX A4:	**CORPORATE SERVICE REVENUE BUDGET MOVEMENTS SUMMARY**
	APPENDIX B:	**CAPITAL PROGRAMME 2014/15**
	APPENDIX C:	**APPROVED AUTHORITY CAPITAL PROGRAMME 2014/15 – 2018/19**

Purpose of Report

1. To review the financial position, revenue and capital, for the Authority for 2014/15. 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 3 months of the year (April – June 2014).

Recommendation

2. That Members note the contents of the report.

Executive Summary

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 whilst minimising the impact of the cuts.

The Authority is on target to deliver the 2014/15 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 £64.356m, (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. Officers will continue to work through the remainder of the year to maximise any savings in order to increase reserves.

Capital:
The capital programme planned spend has increased by £7.245m, of which £6.713m relates to the re-phasing of schemes from 2013/14 into 2014/15 (reported to members in the 2013/14 outturn report). The remaining £0.532m increase relates to Authority approved amendments in current schemes all of which is funded by specific grant or other non-borrowing funding. The revised Capital Programme is outlined in Appendix C and D.

Reserves & Balances:
A reduction in the general balance of £0.894m and other reserves of £5.077m has been used to increase the capital investment reserve in order to fund the station merger project. This is in line with the reserve strategy considered by members in report CFO/077/14, aimed at avoiding increased borrowing costs. 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

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 June of the financial year 2014/15 (April – June 2014).

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	Final Position 2013/14
B	Current Financial Year Review (Revenue Budget, Capital Programme and movement on Reserves)
C	Treasury Management Review
D	Internal Audit
E	Financial Process Monitoring/Performance Indicators

(A) 2013/2014 Position/Final Accounts

6. Members received a report on the 2013/14 final accounts position at the Authority meeting on 24th July 2014 (report CFO/079/14). The accounts reported the Authority was ahead of its savings target so was able to add to reserves in line with its strategy. Overall there was an increase in earmarked reserves of £2.307m (of this £0.955m related to phasing of grant funded and specific projects into 2014/15).

7. At the time of writing this report Grant Thornton have not yet completed the audit of the accounts but the Deputy Chief Executive is not aware of any areas of concern identified by the auditors that will alter the reported position and is confident Audit will approve the accounts without qualification.

(B) Current Financial Year – 2014/15

8. 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.

<u>Revenue Position:</u>

Budget Movements:

9. The attached **Appendix A** to this report summarises the revenue budget movements made to the approved budget. The net budget requirement remains at £64.356m which is consistent with the original budget.

10. 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 in line with previously agreed Authority decisions. The net use of reserves for the period was £0.601m, of which £0.526 was the allocation from the capital investment and DDA reserves to fund approved expenditure on capital schemes approved by the Authority including:-

    - DDA compliance work £0.225m,
    - JCC SHQ work £0.177m
    - JCC control £0.060m
    - SHQ training tower £0.064m.

Update on Budget Savings Implementation:

11. The Authority approved savings in total of £25.577m as part of the medium term financial plans (2011/12 - 2018/19). Of the savings £20.410m was expected to have been implemented by 2014/15. This has mostly been achieved with only £0.564m yet to be formally implemented. Plans are well advanced to deliver these savings and in cash terms the total value of savings will be delivered in the year. The outstanding £0.564m savings options are;

    Phase 1 & 2 (2011/12 & 2013/14 Budget Saving Options);

    - Estates Savings target £0.154m; the original target was £0.250m and £0.1m has been delivered by reconfiguring the cleaning service. Outsourcing of the facilities management (FM) work and a restructure of the Estates team will deliver the remainder of this saving. The FM outsourcing has been deferred for a number of reasons but it is expected to be concluded in 2014/15. The team restructure will be reported in the next quarter's financial review

    - Review of ICT Expenditure £0.150m; The Authority set a target saving on ICT expenditure of £0.200m in 2013/14 rising to £0.350m in future years. The £0.150m reflects the required increased saving target as £0.200m of permanent savings were implemented in 2013/14. Officers are currently in negotiations with our external ICT contractors (most ICT is outsourced) on proposals to achieve the additional £0.150m.

    - Restructure of the Training and Development Academy (TDA) £0.062m; Officers are finalising a restructure that will deliver savings on staff costs of £0.062m

    - Search and Rescue Team (SRT) contracts review £0.048m; revised staff contracts will deliver reduced operating costs for the SRT while maintaining the current service standards.

2014/15 Budget Saving Options;

- Non-Employee costs £0.150m; Officers have now finalised a review of the non-employee budgets and have identified the required saving. The technical adjustment will be implemented fully by the next financial review.

Table A below summarises the progress in implementing the approved saving options at the time of writing this report:

Progress in Implementing Approved Saving Options	2014/15	2015/16	2016/17	2017/18	2018/19
	£'000	£'000	£'000	£'000	£'000
Phase 1 &2 (2011/12 & 2013/14 Budgets) Approved Savings:					
Options formally implemented into budget	-18,846	-18,788	-18,863	-18,863	-18,863
Approved Saving Options yet to be formally implemented:					
Phase 1					
Outsource Estates function	-154	-154	-154	-154	-154
Phase 2					
Review of ICT spend (*part 2 increase in saving £200k to £350k*)	-150	-150	-150	-150	-150
TDA Restructure	-62	-62	-62	-62	-62
SRT amended contracts	-48	-48	-48	-48	-48
Value of Saving Options yet to be formally implemented	-414	-414	-414	-414	-414
TOTAL VALUE OF ALL SAVING OPTIONS	-19,260	-19,202	-19,277	-19,277	-19,277
2014/15 Budget Approved Savings:					
Options formally implemented into budget	-1,000	-1,603	-1,845	-1,725	-1,725
Approved Saving Options yet to be formally implemented:					
Non Employee Budget review	-150	-275	-275	-275	-275
10% saving on Non Uniform Establishment	0	-450	-900	-900	-900
Operational Response	0	-350	-3,000	-3,400	-3,400
Value of Saving Options yet to be formally implemented	-150	-1,075	-4,175	-4,575	-4,575
TOTAL VALUE OF ALL SAVING OPTIONS	-1,150	-2,678	-6,020	-6,300	-6,300
Total Value of Approved Savings Options	-20,410	-21,880	-25,297	-25,577	-25,577
Approved Savings yet to be formally implemented:	**-564**	**-1,489**	**-4,589**	**-4,989**	**-4,989**

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

Actual Expenditure in comparison to Revenue Budget:

12. The Authority is expecting further grant cuts in 2015/16 and future years and therefore as part of its strategy it has directed Officers to maximise savings in the year to contribute towards the building up reserves. Such reserves can then be used as part of an implementation and risk management strategy to deliver savings.

Employee Costs;

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

Firefighter retirements have continued in line with the forecast profile adopted for the financial strategy. Staff turnover within some green book posts has resulted in short term vacancies and this combined with post-holders not being at the top of the their budgeted grade is expected to deliver the approved £0.200m vacancy target saving option.

Contingency for 2014/15 Pay & Price Increases;

Members will recall that the budget made a 1% provision for pay bill increases in 2014/15. The pay award for firefighter staff has been settled at the 1% assumed but no agreement has been reached yet for other staff. Officers are reviewing the current non-employee inflation provision to determine if any efficiencies can be identified in light of the coming financial challenge.

At this point employee costs are expected to be in line with budgets.

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 as the year progresses.

Other Non-Employee Revenue Costs;

The Deputy Chief Executive is continuing to work with budget holders to maximise savings in 2014/15. At this point in time expenditure is forecast to be in line with budgeted levels.

Summary of Revenue Forecast Position:

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

A small number of budget options remains to be fully completed in budgetary terms, however due to Firefighter retirements and other green book savings the Service continues to deliver in "cash" terms the required saving target.

At present expenditure is forecast to be in line with budgets. The Deputy Chief Executive is continuing to work with budget holders to maximise savings in 2014/15 and will report in more detail in future financial reviews. Table B below summarise the revenue year-end forecast position based on expenditure to the end of June 2014:

Table B: Anticipated Year-End Revenue Position

	FIRE SERVICE BUDGET	CORP MGT BUDGET	TOTAL BUDGET	ACTUAL as at 30.06.14	FORE-CAST	VARI-ANCE
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Expenditure						
Employee Costs	51.822	0.391	52.213	14.389	52.213	0.000
Premises Costs	3.094	0.000	3.094	0.522	3.094	0.000
Transport Costs	1.623	0.000	1.623	0.584	1.623	0.000
Supplies and Services	4.064	0.069	4.133	0.582	4.133	0.000
Agency Services	4.920	0.000	4.920	1.679	4.920	0.000
Central Support Services	0.279	0.129	0.408	0.111	0.408	0.000
Capital Financing	7.275	0.000	7.275	0.000	7.275	0.000
Income	-6.100	0.000	-6.100	-0.582	-6.100	0.000
Net Expenditure	66.977	0.589	67.566	17.285	67.566	0.000
Contingency Pay&Prices	0.843		0.843	0.000	0.843	0.000
Cost of Services	67.820	0.589	68.409	17.285	68.409	0.000
Interest on Balances	-0.372		-0.372	-0.015	-0.372	0.000
Movement on Reserves	-3.681		-3.681	0.000	-3.681	0.000
Total Operating Cost	63.767	0.589	64.356	17.270	64.356	0.000

Capital Programme Position:

13. Members approved a 5 year capital programme worth £26.102m at the Authority Budget meeting on 27th February 2014, (CFO/011/14). This has now been updated for the approved 2013/14 year-end re-phasing of projects into 2014/15 of £6.713m as reported to the Authority on 24th July 2014.

14. Members have considered and approved specific reports on Access Audits (CFO/032/14) £0.225m, and the Joint Control Centre (JCC) update (CFO/080/14) £0.240m, and the approved changes have been incorporated into the current capital programme.

15. The land on which the old Ambulance station was sited has been purchased for the Newton-le-Willows LLAR Accommodation scheme. This requires bringing forward £0.065m from the LLAR accommodation budget which was originally all in 2015/16 The budget for the new training tower at SHQ has been increased by £0.064m funded from the capital reserve. Originally it was anticipated that waste soil from the JCC project was to be stored permanently in the location of the tower. However it was necessary to dispose of the land off site.

16. There has been a minor variation in the ICT programme has also been increased by

£2,300 to purchase hardware and this increase will be funded from approved revenue budgets.

17. Overall the revised capital programme has increased by £7.245m. The capital programme changes are summarised in Table C below. The revised detailed capital programme is attached as **Appendix B** (2014/15 Capital Programme) and **Appendix C** (2014/15–2018/19 Capital Programme) to this report.

TABLE C

Movement in the 5 Year Capital Programme						
	Total Cost	**2014/15**	**2015/16**	**2016/17**	**2017/18**	**2018/19**
Expenditure	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
2013/14year-end re-phasings	6,713.2	6,713.2	0.0	0.0	0.0	0.0
2015/16 re-phasings	0.0	65.0	-65.0			
Amendments to Approved Schemes;						
JCC SHQ build scheme (CFO/080/14)	240.3	240.3				
DDA Compliance work (CFO/032/14)	225.0	225.0				
ICT Hardware	2.3	2.3				
SHQ Training Tower	64.0	64.0				
	7,244.8	**7,309.8**	**-65.0**	**0.0**	**0.0**	**0.0**
Funding						
Borrowing:						
Re-phasing of approved schemes into future yrs	4,264.2	4,264.2	0.0	0.0	0.0	0.0
2015/16 re-phasings	0.0	65.0	-65.0			
Capital Reserve	526.3	526.3				
Capital spend funded from the Revenue Budget	2.3	2.3				
Grants:						
Fire Control Grant CLG	700.0	700.0				
External Contributions						
M'side Police (JCC)	1,752.0	1,752.0				
	7,244.8	**7,309.8**	**-65.0**	**0.0**	**0.0**	**0.0**

Use of Reserves:

18. The Authority approved the proposed reserve strategy in report CFO/077/14 at its meeting on 26th June 2014, in particular the recommendation that a large proportion of the available reserves are used to fund the station mergers programme and therefore avoid borrowing. The adjustments made to the various reserves are outlined below;

	£'000
Reduction in Reserve;	
○ Catastrophe	-500
○ Costs Smoothing	-2,659
○ SMG	-100
○ Facing the Future Challenge	-800
○ Inflation	-1,000
○ Regional	-18
○ General	-894
Increase in Capital Investment Reserve	5,971

19. The analysis in Appendix A2 outlines the £0.601m drawdown on reserves during the first quarter of 2014/15, of which £0.526m was to fund amendments to the capital programme, see Table C. The general revenue reserve has been reduced by £0.894m to £2.000m as part of the re-alignment of reserves.

20. Members will note that whilst it is desirable to use reserves in this way to avoid borrowing costs which will impact on the revenue budget it also limits the flexibility for dealing with all manner of financial risks and makes the prospect of requiring more drastic budget decision in future like compulsory redundancy more likely.

21. The Deputy Chief Executive is examining the overall framework for funding to assess the most effective way to apply the capital reserves. For example it may be more advantageous to apply reserves to refinancing the PFI project or other areas where commercial loans are involved rather than just apply directly to the station mergers themselves. Reports will follow as the best options are identified.

(C) Treasury Management

22. The Authority continues to “buy in” Treasury Management from Liverpool City Council. The following paragraphs reflect Treasury Management activities in the period April to June 2013/14.

23. Prospects For Interest Rates;

Growth rebounded during 2013 and the first quarter of 2014 to surpass expectations, propelled by recovery in consumer spending and the housing market. Forward surveys are currently very positive in indicating that growth prospects are also strong for the rest of 2014. This strong growth has resulted in unemployment falling much faster through the threshold of 7%, set by the Monetary Policy Committee (MPC) last August, before it would consider any increases in Bank Rate.

However, the MPC sets Bank Rate to meet an inflation target of 2% and there was a sharp fall in inflation (CPI), reaching 1.5% in May, the lowest rate since 2009. Forward indications are that inflation is likely to fall further in 2014 to possibly 1%.

The MPC have said that the decision on rates was becoming more balanced. It has now broadened its forward guidance looking at a much wider range of indicators to form a view on how much slack there is in the economy and how quickly slack is being used up.

The market’s reaction to the data and guidance from the MPC is that a first increase in Bank rate to 0.75% is now expected around the end of 2014 or early 2015. In the first quarter short-term interest rates have remained at 0.5% as expected.

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. However, this has been offset by a continued demand for safe haven instruments whilst there is political unrest in various places around the world. Long term PWLB rates have fallen slightly by 0.1% during the first quarter but are expected to recover later in the year as a result of the stronger 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 2014/15. In this scenario, the strategy would be to reduce investments and borrow for short periods and possibly at variable rates when required.

24. 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 2014/15. Current market conditions continue to be unfavourable for any debt rescheduling.

25. Annual Investment Strategy

The investment strategy for 2014/15 set out the priorities as the security of capital and liquidity of investments. Investments are made in accordance with DCLG Guidance and CIPFA Code of Practice. Investments are made in sterling with an institution on the counterparty list. The credit ratings and individual limits for each institution within the categories of investments to be used by the Authority in 2014/15 are as follows:

UK Government (including gilts and the DMADF)	Unlimited
UK Local Authorities (each)	Unlimited
Part Nationalised UK banks	£4m
Money Market Funds (AAA rated)	£3m
UK Banks and Building Societies (A- or higher rated)	£2m
Foreign banks registered in the UK (A or higher rated)	£2m

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 30th June 2014 the average rate of return achieved on average principal available was 0.75%. This compares with an average seven day deposit (7 day libid) rate of 0.34%.

The Authority had investments of £17.2m as at 30th June 2014:

ANALYSIS OF INVESTMENTS END OF JUNE 2014

Institution	Credit Rating	MM Fund*	Bank / Other	Building Society
		£	£	£
Ignis Liquidity Fund	AAA	2,200,000		
Handelsbanken Inst Access	A		2,000,000	
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
HBOS 6 Month FTD	A		2,000,000	
Close Brothers	A		2,000,000	
HBOS 9 Month FTD	A		2,000,000	
West Brom B Soc	Unrated			1,000,000
Principality B Soc	Unrated			1,000,000
Totals		2,200,000	8,000,000	7,000,000
Total Current Investments				**17,200,000**

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

26. External Debt Prudential Indicators

The external debt indicators of prudence for 2014/15 required by the Prudential Code were set in the strategy as follows:

Authorised limit for external debt: £80 million
Operational boundary for external debt: £44 million

Against these limits, the maximum amount of debt reached at any time in the first quarter of the financial year 2014/15 was £43.6 million.

27. Treasury Management Prudential Indicators

The treasury management indicators of prudence for 2014/15 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 2014/15 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 quarter of the financial year 2014/15 was as follows: -

Maturity Period	Upper Limit	Lower Limit	Maximum	Minimum
Under 12 months	80%	0%	3%	3%
12 months and within 24 months	50%	0%	2%	2%
24 months and within 5 years	50%	0%	8%	8%
5 years and within 10 years	50%	0%	9%	9%
10 years and above	85%	0%	77%	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 2014/15. No such investments have been placed during 2014/15.

(D) Internal Audit

28. The Authority continues to "buy in" Internal Audit services from Liverpool City Council. Most audit work is carried out in the second part of the year to fit in with service work demands and provide relevant data for the year-end audit. At the end of June 2014 only the Payroll audit which was outstanding from 2013/14 had been completed. The payroll audit determined that the level of assurance that sound controls are in place was high and that key risks are being effectively managed. There were no recommendations or changes to the current controls arising from this audit review.

(E) Monitoring of Financial Processes

29. 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

Prompt payment of invoices

30. 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.

31. 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.

32. A comparison of first quarter performance over previous years confirms the effectiveness of systems and procedures that continue to enable the Authority to pay invoices (some 2,323 in the quarter ended June 2014) promptly.

2010/11	99.9%
2011/12	99.9%
2012/13	100.0%
2013/14	100.0%
2014/15	100.0%

33. The target for prompt payment in 2014/15 is 100%. The first quarter's results confirm the Service continues to respond quickly and efficiently to requests for payment from suppliers with 2,323 out of 2,323 invoices being paid within the required timeframe.

34. We have continued to ensure discounts due from the prompt payment of invoices are vigorously pursued. During the quarter a total of 53 invoices that attracted prompt payment discounts were paid generating savings of £4,184. 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.

35. 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 June 2014. 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

36. 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*)

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

	2010/11	2011/12	2012/13	2013/14	2014/15

SIRF Generation	72%	80%	84%	82%	89%
Sales invoice production	100%	100%	100%	100%	100%

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

The Age Profile of Outstanding Debt

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

Number of debts 60 days+

	2010/11	2011/12	2012/13	2013/14	2014/15
April	63	38	32	40	30
May	63	34	50	43	29
June	65	44	41	38	29

Value of debts 60 days+

	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000
April	101	81	79	131	47
May	107	62	180	136	55
June	148	149	127	45	19

40. 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 over the period analysed 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.

41. Debtor accounts under £5,000 may be written off by Deputy Chief Executive. No accounts have been written-off in the quarter.

Equality and Diversity Implications

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

Staff Implications

43. None directly related to this report.

Legal Implications

44. None directly related to this report.

Financial Implications & Value for Money

45. See Executive Summary.

Risk Management, Health & Safety, and Environmental Implications

46. None directly related to this report.

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

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

BACKGROUND PAPERS

CFO/011/14	"MFRA Budget and Financial Plan 2014/2015-2018/2019" Authority 27th February 2014.

GLOSSARY OF TERMS

DDA	The Disability Discrimination Act (DDA) 1995
JCC	Joint Control Centre
SHQ	Service Headquarters
FM	Facilities Management
ICT	Information and communications technology
TDA	Training Development Academy
SRT	Search and Rescue Team
MPC	Monetary Policy Committee
CPI	Consumer Price Index
PWLB	Public Works Loans Board
PPC	Prompt payment code