

OFFICE OF THE POLICE & CRIME COMMISSIONER

OFFICE OF CHIEF CONSTABLE

TITLE:	Key Performance Indicators
DATE:	21st December 2016
TIMING:	Routine
PURPOSE:	For monitoring
1.	<u>RECOMMENDATION</u>
1.1	The finance Key Performance Indicators (KPIs) are provided for monitoring.
2.	<u>INTRODUCTION & BACKGROUND</u>
2.1	This report presents a set of KPIs that were last reported to the Joint Audit Committee (JAC) in June 2016.
3.	<u>ISSUES FOR CONSIDERATION</u>
3.1	<u>Performance Against Budget</u>
3.1.1	In order to avoid duplication of effort, this KPI is no longer reported, as a comprehensive analysis is already provided in the Financial Performance Report.
3.2	<u>Current and Quick Ratios</u>
3.2.1	These ratios assess the liquidity of the Police and Crime Commissioner for Gwent (Commissioner) , i.e. the amount of cash or other current assets such as short term investments that are readily convertible to cash to settle short term liabilities such as trade creditors. Both ratios should be greater than 1.0.
3.2.2	The PCC's Current Ratio as at 31 st October 2016 was: $\frac{\text{Current Assets}}{\text{Current Liabilities}} = \frac{\pounds 68.0\text{m}}{\pounds 15.5\text{m}} = 4.39$
3.2.3	The PCC's Quick Ratio as at 31 st October 2016 was $\frac{\text{Current Assets} - \text{Stock}}{\text{Current Liabilities}} = \frac{\pounds 67.6\text{m}}{\pounds 15.5\text{m}} = 4.36$
3.2.4	Both the current and quick ratios are well above 1.0. This reflects the fact that the Commissioner has significant cash backed earmarked reserves set aside for specific purposes such as the replacement of Police Headquarters. The Commissioner therefore has a healthy liquidity position.
3.2.5	The Commissioner's current and quick ratios are also compared with those of our most similar Forces, to provide some context for this KPI. These comparators are shown in Appendix 1. The ratios were calculated from information contained in their respective, published 2015/16 Statement of Accounts. The Commissioner also has the highest current ratio amongst the Forces.
3.2.6	At the 31 st October 2016 the Commissioner had £53.5m invested in fixed rate deposits maturing between 1 and 364 days, £6.25m invested in Money Market Funds (MMFs) and a further £3m invested in a high interest Business Savings account. Both MMFs and the Business Savings Accounts allow instant access

	to funds.														
3.3	<u>Reserves as a percentage of Budget Requirement</u>														
3.3.1	This KPI looks at the level of cash backed reserves that could be used to help ease any short term cash flow problems. Conversely, it also determines whether reserves are being held to mitigate against financial risk.														
3.3.2	<p>As at 31st October 2016 the Commissioner's reserves as a percentage of the Revenue Budget Requirement for 2016/17 were:</p> $\frac{\text{Reserves}}{\text{BR}} \times 100\% = \frac{\text{£46.95m}}{\text{£119.54m}} \times 100\% = 39.27\%$ <p>The reserve balance above reflects general and earmarked reserve balances including capital and PFI sinking funds. The budget requirement reflects the 2016/17 approved revenue budget of the Commissioner.</p>														
3.3.3	As explained in paragraph 3.2.4, the Commissioner has a significant level of reserves set aside, but with the exception of the general reserve (£9.12m) these reserves are set aside for specific purposes including the replacement of Police Headquarters.														
3.3.4	<p>Budget Requirement as a percentage of reserves is compared with the most similar Forces in Appendix 2. The Commissioner has the highest ratio of reserves to Budget Requirement amongst the comparator Forces.</p> <p>The comparator Force positions were calculated from information contained in their respective published 2015/16 Statement of Accounts.</p>														
3.4	<u>Purchasing Card Compliance</u>														
3.4.1	<p>Between 1st April 2016 and 31st October 2016 expenditure incurred using Force purchasing cards totalled £212,123.68. A total of 1,771 transactions were conducted over this period with an average transaction value of £119.78. Operational and non-operational equipment purchased accounted for 19% of expenditure to date, followed by accommodation 14%, stationary 12% and transportation (rail, underground, taxis, bus, airline) 10%.</p> <p>During the period there were 67 active cards in circulation and there were no instances of off contract spend.</p> <p>Purchasing card activity is continually monitored including usage, off-contract spend and spending limits.</p>														
3.5	<u>Creditor Days</u>														
3.5.1	<p>Table 1 provides an analysis of the length of time the Commissioner has taken to pay creditors between 1st April 2016 and 31st October 2016:</p> <p><u>Table 1 : Creditor Payment Days</u></p> <table border="1"> <thead> <tr> <th rowspan="2">Payment Method</th> <th colspan="2">Number of Days from Invoice Date to Payment Date</th> </tr> <tr> <th>Actual</th> <th>Industry Standard</th> </tr> </thead> <tbody> <tr> <td>Purchase Order Invoices</td> <td>36.45</td> <td>30</td> </tr> <tr> <td>Non Purchase Order Invoices</td> <td>18.14</td> <td>30</td> </tr> <tr> <td>Combined Average</td> <td>19.64</td> <td>30</td> </tr> </tbody> </table>	Payment Method	Number of Days from Invoice Date to Payment Date		Actual	Industry Standard	Purchase Order Invoices	36.45	30	Non Purchase Order Invoices	18.14	30	Combined Average	19.64	30
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3.5.2	The majority of creditors offer terms of approximately 30 days. The average time it took to pay suppliers during the above period was 19.64 days, well below the														

industry standard.

This is a reduction from 22.5 days, reported for the period 1st November 2015 to the 31st March 2016. Appendix 3 provides a rolling 12 month analysis of creditor payment days.

3.5.3 Purchase Order (PO) invoices creditor payment days is still higher than the industry standard at 36.45 days. However actual days for the period, has reduced from 37.84 days reported to JAC in June 2016, for the period 1st November 2015 to the 31st March 2016.

3.5.4 The processing of Non Purchase Order (AP) invoices (e.g. utilities, business rates, doctors' fees and interpreters' fees) has been made more efficient by the Finance Invoice Tracking System (FITS) which provides an e-workflow authorisation solution. The processing of PO invoices still relies heavily on manual processes which is having a detrimental effect on performance. PO invoices account for 8.5% of total invoices paid during the period 1st April 2016 to 31st October 2016. For the financial year 2015/16 the comparator was 10%.

3.5.5 The percentage of invoices paid within 30 days during the rolling 6 month period to the 31st October 2016 was 82% compared to 78% reported for the period 1st November 2015 to the 31st March 2016 and 77% for the financial year 2015/16.

3.5.6 Appendix 3 provides the number of invoices paid per month. The peak in March 2016 reflects the work undertaken by the Purchasing and Payments team to process all 2015/16 invoices in the lead up to financial year end.

3.5.7 At June JAC, members were asked to note that in March 2016 a Government Procurement Policy Note (PPN) was circulated making it a requirement that the Commissioner publishes online the following statistics;

- 1) % of invoices paid within 30 days; and
- 2) The amount of interest paid to suppliers due to late payment.

Performance for the financial year 2015/16 as noted in 3.5.5 above has been published the Commissioner's website and the Commissioner will continue to meet this requirement on an annual basis.

3.6 Debtors Analysis

3.6.1 Table 2 provides a comparative analysis of the Commissioner's outstanding debts as at 31st October 2016. A detailed breakdown of the individual outstanding debts is shown at Appendix 4a.

Table 2 : PCC's Analysis of Outstanding Debts as at 31st October 2016








	1 to 3 Months £	3 to 6 Months £	6 to 12 Months £	> 12 Months £	Total £
Period Ending 31 st October 2016	48,278	199,294	133,732	15,206	396,510
Period Ending 31 st March 2016	294,408	122,553	20,352	35,386	472,699

3.6.2	In the '1 to 3 Month' category; £18,670 is due from Independent Inquiry into Child Sexual Abuse (IICSA) for Seconded Officer costs; £22,500 is due from the PCC for South Wales Police for a contribution to "The Core Women's Pathfinder Team". The debt recovery procedures are being followed and payment is expected without delay.
3.6.3	In the 3 to 6 month category; £18,670 is due from Independent Inquiry into Child Sexual Abuse (IICSA) for seconded officer costs, £41,633 is due from Lagadere Unlimited Events for provision of police services at the 2016 Velathon Wales; and £131,750 is due from the National Probation Service for Q1 Statutory Orders. Copy invoices have been supplied and no further delay in payment is expected.
3.6.4	In the 6 to 12 month category; £58,507 is due from Independent Inquiry into Child Sexual Abuse (IICSA) for Seconded Officer costs; £66,162 is due from Blaenau Gwent for CSO Partnership Agreement 2015/16. Copy invoices have been supplied and no further delay in payment is expected.
3.6.5	In the '12 Months and Over' category as previously reported to JAC; £779 is due from a former employee with respect to an overpayment of salary. Payments of £20 per month have been agreed; £6,000 is due from the BBC in relations to production work for "The Devils Vice" DVD on behalf of Gwent Independent Film Trust which holds the liability (GIFT). The invoice relates to a second instalment of services undertaken which was under query but has now been resolved and payment is expected; and £9,939 is due from the PCC for South Wales Police for seconded officers costs.
3.6.6	<p>The target for debt collection period is 14 days however normal practice is for creditors to be paid within 30 days.</p> <p>Between the 1st April 2016 and the 31st October 2016 it took the Commissioner 88.58 days to collect outstanding debts compared to 71.02 days for the financial year 2015/16. This position is consistent with that reflected in the analysis of invoices outstanding in Table 3, which shows that 88% of invoices at the 31st October 2016 are more than 3 months outstanding.</p> <p>A contributory factor to the increase in debtor days in the first half of 2016/17 has been due to the departure of a key member of the Purchase 2 Payments team, who managed debtors invoicing. At the 31st October the position remains unfilled but the remaining staff have been undergoing training in this area and backlogs are being addressed.</p>
3.6.7	<p>During 2015/16 the Purchasing and Payments section began working more closely with the Joint Legal Team (JLS). Work is still in the early stages however the benefits are expected to materialise in 2016/17.</p> <p>Appendix 5a provides an analysis of debtor payment days covering the period 1st April to 31st October 2016.</p>
3.6.8	<p>It was agreed following an internal audit recommendation that Wales Interpretation and Translation Services (WITS) debts should be reported separately to JAC members.</p> <p>Table 3 provides a comparative analysis of the WITS outstanding debts as at 31st October 2016. A detailed breakdown of the individual outstanding debts is shown at Appendix 4b and is overseen.</p>

Table 3 : Analysis of WITS Outstanding Debts as at 31st October 2016

	1 to 3 Months £	3 to 6 Months £	6 to 12 Months £	> 12 Months £	Total £
Period Ending 31 st October 2016	103,591	81,037	20,347	36,023	240,998
Period Ending 31 st March 2016	74,229	18,548	48,818	35,860	178,455

3.6.9	<p>Between the 1st April 2016 and the 31st October 2016 it took WITS 126.70 days to collect outstanding debts compared to 77.92 days for the financial year 2015/16</p> <p>Appendix 5b provides an analysis of debtor payment days covering the period 1st April to 31st October 2016.</p>
3.6.10	<p>WITS related debts are managed by the WITS administration team based at Maindee Police Station and the WITS team are responsible for managing debt recovery for all their invoices. The outstanding debts were presented to the WITS Board at the last meeting on 2nd December 2016. The debt at 31st March 2017 (when the service transfers to the management of Cardiff City Council) will transfer with the service.</p>
3.7	<p><u>Write-Offs</u></p>
3.7.1	<p>During the period after approval by JAC in June, the following debts were written off;</p> <p>1) Chepstow Town Council, £22,054.00, invoice P12722 dated 20th March 2015.</p>
3.7.2	<p>The Chepstow Town Council debt relates to the funding of PCSOs for the financial year 2014/15. Chepstow Town Council claimed that there was no formal agreement in place for this funding and no funds were set aside by the Council from their budget. Following investigations the Force confirmed that no agreement was in place, the service had been withdrawn and that the invoice was raised in error.</p>
3.7.3	<p>There are currently no further write-offs for JAC to consider.</p>
4.	<p><u>NEXT STEPS</u></p>
4.1	<p>KPI's will continue to be developed and monitored and will be reported again to JAC members in June 2017.</p>
5.	<p><u>FINANCIAL CONSIDERATIONS</u></p>
5.1	<p>As detailed in the main body of this report.</p>
6.	<p><u>PERSONNEL CONSIDERATIONS</u></p>
6.1	<p>None.</p>
7.	<p><u>LEGAL IMPLICATIONS</u></p>
7.1	<p>None.</p>

8.	<u>EQUALITIES AND HUMAN RIGHTS CONSIDERATIONS</u>
8.1	This report has been considered against the general duty to promote equality, as stipulated under the Strategic Equality Plan and has been assessed not to discriminate against any particular group.
8.2	In preparing this report, consideration has been given to requirements of the Articles contained in the European Convention on Human Rights and the Human Rights Act 1998.
9.	<u>RISK</u>
9.1	As detailed in report.
10.	<u>PUBLIC INTEREST</u>
10.1	This is a public document.
11.	<u>CONTACT OFFICER</u>
11.1	Hywel Morgan, Senior Financial Accountant.
12.	<u>APPENDICES</u>
12.1	<p>1. Most similar forces – Current Ratios as at 31st October 2016</p> <p> Appendix 1.pdf</p> <p>2. Most similar forces - Reserves as % of BR at 31st October 2016</p> <p> Appendix 2.pdf</p> <p>3. Days to Pay Supplier Invoices & No. of Invoices Paid</p> <p> Appendix 3.pdf</p> <p>4. Aged Debtor Analysis as at 31st October 2016</p> <p>  Appendix 4a.pdf Appendix 4b.pdf</p> <p>5. Debtors Payment Days</p> <p>  Appendix 5a.pdf Appendix 5b.pdf</p>