

**OFFICE OF THE POLICE & CRIME COMMISSIONER**

**OFFICE OF CHIEF CONSTABLE**

<b>TITLE:</b>	<b>Key Performance Indicators</b>
<b>DATE:</b>	<b>21 December 2017</b>
<b>TIMING:</b>	<b>Routine</b>
<b>PURPOSE:</b>	<b>For consideration</b>
<b>1.</b>	<b><u>RECOMMENDATION</u></b>
1.1	The finance Key Performance Indicators (KPIs) are provided for consideration.
<b>2.</b>	<b><u>INTRODUCTION &amp; BACKGROUND</u></b>
2.1	This report presents a set of KPIs that were last reported to the Joint Audit Committee (JAC) in June 2017.
<b>3.</b>	<b><u>ISSUES FOR CONSIDERATION</u></b>
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 <sup>st</sup> October 2017 was:  $\frac{\text{Current Assets}}{\text{Current Liabilities}} = \frac{\pounds 78.9\text{m}}{\pounds 13.5\text{m}} = 5.84$  At 31 <sup>st</sup> March 2017 the figure was:  $\frac{\text{Current Assets}}{\text{Current Liabilities}} = \frac{\pounds 63.8\text{m}}{\pounds 11.1\text{m}} = 5.75$
3.2.3	The PCC's Quick Ratio as at 31 <sup>st</sup> October 2017 was  $\frac{\text{Current Assets} - \text{Stock}}{\text{Current Liabilities}} = \frac{\pounds 78.4\text{m}}{\pounds 13.5\text{m}} = 5.81$  At the 31 <sup>st</sup> March 2017 the figure was:  $\frac{\text{Current Assets} - \text{Stock}}{\text{Current Liabilities}} = \frac{\pounds 63.4\text{m}}{\pounds 11.1\text{m}} = 5.71$

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 2016/17 Statement of Accounts. The Commissioner also has the highest current ratio amongst the Forces.
3.2.6	At the 31 <sup>st</sup> March 2017 the Commissioner had £53.0m invested in fixed rate deposits maturing between 1 and 364 days, £9m invested in Money Market Funds (MMFs) and a further £4.5m 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	As at 31 <sup>st</sup> October 2017 the Commissioner's reserves as a percentage of the Revenue Budget Requirement for 2017/18 were:  $\frac{\text{Reserves}}{\text{BR}} \times 100\% = \frac{\text{£50.68m}}{\text{£120.94m}} \times 100\% = 41.9\%$ <p>The reserve balance above reflects general and earmarked reserve balances including capital and PFI sinking funds. It excludes statutory reserves. The budget requirement reflects the 2017/18 approved revenue budget of the Commissioner, taken from the Statement of Accounts 2017/18.</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 (£10.9m) these reserves are set aside for specific purposes including the replacement of Police Headquarters.
3.3.4	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.  The comparator Force positions were calculated from information contained in their respective published 2016/17 Statement of Accounts.
3.4	<u>Purchasing Card Compliance</u>
3.4.1	Between 1 <sup>st</sup> April 2017 and 31 <sup>st</sup> October 2017 expenditure incurred using Force purchasing cards totalled £158,202.00. A total of 1,240 transactions were conducted over this period with an average transaction value of £127.58. Operational and non-operational equipment purchased accounted for 11% of expenditure for the period, followed by accommodation 5%, stationary 14% and transportation (rail, underground, taxis, bus, airline) 22%, with 48% being classified as other, ungrouped expenditure.  During the period there were 64 active cards in circulation.

Purchasing card activity is continually monitored by Procurement including usage, off-contract spend and spending limits.

3.5

Creditor Days

3.5.1

Table 1 provides an analysis of the length of time the Commissioner has taken to pay creditors between 1<sup>st</sup> April 2017 to 31<sup>st</sup> October 2017, Go-live date for BW was 31<sup>st</sup> July 2017.

Table 1 : Creditor Payment Days

Payment Method	Number of Days from Invoice Date to Payment Date	
	Actual	Industry Standard
Purchase Order Invoices	52.41	30
Non Purchase Order Invoices	46.19	30
Combined Average	49.3	30

Purchase order invoices make up 4.12% of total invoice payments in the period.

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 49.3 days.

This is an increase from 31.01 days, reported for the period 1<sup>st</sup> November 2016 to the 31<sup>st</sup> March 2017. Go live date for Business World was 31<sup>st</sup> July. Due to staff learning the new system and annual leave input volumes were low and time taken to pay increased. Appendix 3 provides a rolling 12 month analysis of Creditor Payment dates.

3.5.3

Purchase Order (PO) invoices creditor payment days is still higher than the industry standard. However this is a decrease on the figure reported in June 17. (62.03). The reasons for the decrease is due to the new automated process of requisition to purchase order e-workflow in BW.

3.5.4

PO invoices account for only 4.12% of total invoices paid during the period 1<sup>st</sup> April 2017 to 31<sup>st</sup> October 2017. For the last report for 1<sup>st</sup> April 2016 to 31<sup>st</sup> October 2016 the comparator was 8.5%. The implementation of the new system, Business World and revised guidance around the Purchase Order process will significantly increase the amount of PO invoices. It is expected that this change will take effect gradually over the financial year 2018/19.

3.5.5

The percentage of invoices paid within 30 days during the following rolling 6 month periods were:

Report Date:	%
31 <sup>st</sup> October 2017	51
31 <sup>st</sup> March 2017	67
31 <sup>st</sup> October 2016	82

3.5.6	Appendix 3 provides the number of invoices paid per month. The drop in volume of invoices processed and an increase in days to pay was due to the introduction of BW and staff training and annual leave.																								
3.5.7	<p>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;</p> <ol style="list-style-type: none"> <li>1) % of invoices paid within 30 days; and</li> <li>2) The amount of interest paid to suppliers due to late payment.</li> </ol> <p>Performance for the financial year 2016/17 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.</p>																								
3.6 3.6.1	<p><u>Debtors Analysis</u></p> <p>Table 2 provides a comparative analysis of the Commissioner's outstanding debts as at 31<sup>st</sup> October 2017. A breakdown of the individual outstanding debts is shown at Appendix 4.</p> <p><u>Table 2 : PCC's Analysis of Outstanding Debts as at 30<sup>th</sup> October 2017</u></p> <table border="1" data-bbox="300 936 1417 1238"> <thead> <tr> <th></th> <th>1 to 3 Months £</th> <th>3 to 6 Months £</th> <th>6 to 12 Months £</th> <th>&gt; 12 Months £</th> <th>Total £</th> </tr> </thead> <tbody> <tr> <td>As at 30<sup>th</sup> October 2017</td> <td>0</td> <td>1,573,901</td> <td>334,803</td> <td>163,026</td> <td>2,071,731</td> </tr> <tr> <td>As at 31<sup>st</sup> March 2017</td> <td>129,708</td> <td>221,460</td> <td>157,367</td> <td>8,190</td> <td>516,725</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>		1 to 3 Months £	3 to 6 Months £	6 to 12 Months £	> 12 Months £	Total £	As at 30 <sup>th</sup> October 2017	0	1,573,901	334,803	163,026	2,071,731	As at 31 <sup>st</sup> March 2017	129,708	221,460	157,367	8,190	516,725						
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As at 31 <sup>st</sup> March 2017	129,708	221,460	157,367	8,190	516,725																				
3.6.2	There are no debtors within the month 1 to 3 a category due to timing of raising quarter 1 invoices.																								
3.6.3	<p>In the 3 to 6 month category there is £833,280 due from South Wales Police, £136,367 of which has been received since the 1<sup>st</sup> November 2017. Also within this category are:</p> <ul style="list-style-type: none"> <li>• National Probation Service £263,500</li> <li>• Dyfed Powys Police £166,103</li> <li>• Monmouthshire CC £59,983 (of which £38,608 was received in November); and</li> <li>• Torfaen CBC £68,679</li> </ul> <p>Credit control and debtor collection processes are currently being reviewed and re-assigned within the team. The expectation is that all of these debts are recoverable and will be collected before year end.</p>																								
3.6.4	In the 6 to 12 month category there is a further £131,750 is due from National Probation Service and £106,911 from Dyfed Powys Police. As above the expectation is that these debts are recoverable. Joint Legal Services will be engaged where debt recovery becomes a concern.																								

3.6.5	The amount for debt that is over 12 months old has increased to £163,026. The two main debtors are National Probationer Service (£131,750) and I.I.C.S.A (£26,866).												
3.6.6	<p>The target for debt collection period is 14 days however normal practice is for creditors to pay within 30 days.</p> <p>The above analysis shows that debtor's value and ageing have increased significantly.</p> <p>A contributory factor to the increase in debtor days and ageing are significant changes in the team structure and long term sickness. The team's focus has been on learning and resolving issues the new finance system. Trying to reduce the resulting increases in creditor payment days has been prioritised over the chasing of debts.</p> <p>It is a priority for the Head of Finance to ensure that a more robust credit control procedure is implemented and all debts are chased and passed to JLS where appropriate. As part of the year end work the Head of Finance will specifically review the debt in this category and propose a level of write off. The majority of vacant roles are now filled and capacity will be diverted to debtors in the new year.</p>												
3.6.7	<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>Cardiff City Council now runs WITS and as such the force is not responsible for ongoing debtors. However it has been agreed as part of the handover that Gwent will continue to chase debt outstanding as at handover.</p> <p>Table 3 provides an analysis of the remaining debt that is Gwent's responsibility to collect.</p> <p><u>Table 3 : Analysis of WITS Outstanding Debts as at 30 November 2017</u></p> <table border="1" data-bbox="300 1391 1417 1615"> <thead> <tr> <th></th> <th>1 to 3 Months £</th> <th>3 to 6 Months £</th> <th>6 to 12 Months £</th> <th>&gt; 12 Months £</th> <th>Total £</th> </tr> </thead> <tbody> <tr> <td>Transfer debtors outstanding</td> <td>23,120</td> <td>31,193</td> <td>3,643</td> <td>3,111</td> <td>61,068</td> </tr> </tbody> </table>		1 to 3 Months £	3 to 6 Months £	6 to 12 Months £	> 12 Months £	Total £	Transfer debtors outstanding	23,120	31,193	3,643	3,111	61,068
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Transfer debtors outstanding	23,120	31,193	3,643	3,111	61,068								
3.7	<u>Write-Offs</u>												
3.7.1	There were no write offs proposed within the June 2017 JAC report.												
3.7.2	<p>As part of the finalisation of the WITS balances it is proposed that all debts that are in excess of 12 months old at time of transfer of the service to Cardiff City Council (CCC) are written off. The value of these debts amounts to £3,111.31. This has been agreed with CCC in advance of the consideration by the JAC panel members. The debts are as follows:</p> <ul style="list-style-type: none"> <li>• £187.60 Business in Focus (Feb 2015)</li> <li>• £291.44 G4S Care &amp; Justice Services (Nov 14)</li> </ul>												

	<ul style="list-style-type: none"> <li>• £234.72 Tros Gynnal Plant (Oct 14)</li> <li>• £72.00 Wales DBC (Jul 15)</li> <li>• £2,200.27 Welsh Assembly Government (Mar 16)</li> <li>• £125.28 Wrexham County Borough Council (Jan 15).</li> </ul>
<b>4.</b>	<b><u>NEXT STEPS</u></b>
4.1	<p>A robust and active credit control procedure will be implemented in Jan 2017. Specific resources will be allocated the responsibility over chasing of debt and monthly reporting of both debtors and creditors positions will be provided as part of the monthly reporting regime.</p> <p>KPI's will continue to be developed and monitored and will be reported again to JAC members in June 2018.</p>
<b>5.</b>	<b><u>FINANCIAL CONSIDERATIONS</u></b>
5.1	As detailed in the main body of this report.
<b>6.</b>	<b><u>PERSONNEL CONSIDERATIONS</u></b>
6.1	None.
<b>7.</b>	<b><u>LEGAL IMPLICATIONS</u></b>
7.1	None.
<b>8.</b>	<b><u>EQUALITIES AND HUMAN RIGHTS CONSIDERATIONS</u></b>
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.
<b>9.</b>	<b><u>RISK</u></b>
9.1	As detailed in report.
<b>10.</b>	<b><u>PUBLIC INTEREST</u></b>
10.1	This is a public document.
<b>11.</b>	<b><u>CONTACT OFFICER</u></b>
11.1	<p>Rosanna Davies Assistant Accountant.</p> <p>Lorna Virgo, Head of Finance.</p>

<b>12.</b>	<b><u>APPENDICES</u></b>
12.1	<p>1. Most similar forces – Current Ratios as at 31<sup>st</sup> March 2017</p> <p> Appendix 1.pdf</p> <p>2. Most similar forces - Reserves as % of BR at 31<sup>st</sup> March 2017</p> <p> Appendix 2.pdf</p> <p>3. Days to Pay Suppliers &amp; No of invoices Paid</p> <p> Appendix 3 pdf.pdf</p>