

OFFICE OF THE POLICE & CRIME COMMISSIONER
OFFICE OF CHIEF CONSTABLE

TITLE:	Key Performance Indicators – Report for Creditors Payment Days															
DATE:	8th March 2018															
TIMING:	Special report															
PURPOSE:	For monitoring															
1.	<u>RECOMMENDATION</u>															
1.1	The ageing of creditors and debtors is provided for monitoring.															
2.	<u>INTRODUCTION & BACKGROUND</u>															
2.1	This report presents a summary of the ageing of creditors and debtors and detail on average payment times for supplier invoices. This is in addition to the standard set of KPIs that were last reported to the Joint Audit Committee (JAC) in December 2017. It is presented to ensure JAC members are fully briefed on the situation in respect to the processing of invoices for payment since the implementation of the new finance system – Business World.															
3.	<u>ISSUES FOR CONSIDERATION</u>															
3.1	<p><u>Creditor Days</u></p> <p>As presented in the December 2017 JAC papers, Table 1 provides an analysis of the length of time it has taken to pay creditors between 1st April 2017 to 31st October 2017, Go-live date for BW was 31st July 2017.</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>52.41</td><td>30</td></tr> <tr> <td>Non Purchase Order Invoices</td><td>46.19</td><td>30</td></tr> <tr> <td>Combined Average</td><td>49.3</td><td>30</td></tr> </tbody> </table>		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
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3.2	<p>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.</p> <p>As requested by JAC, the Finance team have summarised the average number of days taken to pay invoices (combined average) on a monthly basis. This analysis shown in Table 2 below has been undertaken for the period since implementation of BW (August 2017 to February 2018).</p>															

Table 2: Analysis of days taken to pay purchase invoices

Month	Number of Days from Invoice Date to Payment Date	
	Actual	Number of invoices paid
August 2017	30.28	301
September 2017	55.61	457
October 2017	51.14	868
November 2017	61.06	836
December 2017	76.11	756
January 2018	72.69	660
February 2018*	94.40	606
Period average	63.04	Tgt Days 30

*February 2018 – the system was closed for 10 days and during this time no payments were processed.

3.3	<p>The figures presented in Table 2 above were calculated by taking the average time between invoice date and payment date for all invoices actually paid in each month.</p> <p>The notable deterioration in payment times is a reflection of system implementation issues. These issues can be summarised as follows:</p>
3.3.1	<p>The Scheme of Delegation (S.o.D)</p> <p>The original S.o.D was based upon the South Wales Police organisational structure and delegations. After go-live it became apparent that this was not fit for purpose for Gwent. The finance team have worked in conjunction with the FIRMS support team to create a Gwent specific S.o.D. that was implemented in February 2018.</p>
3.3.2	<p>Workflow Process</p> <p>The system experienced a number of automatic work-flow errors that were not easily identifiable. The impact of these workflows meant invoices did not pull through to payment and had to be manually extracted. These issues have now been rectified and more robust reporting established to identify any future errors.</p>
3.3.3	<p>Capacity</p> <p>In addition to the system issues the Payments team have been below capacity due to long term sickness. Whilst this is not a causal factor in the worsening payment periods it has exacerbated the position as staff have been significantly stretched. Additional resources are now in place on a permanent, but also on a temporary basis, to ensure any backlog can be dealt with and the team can provide an appropriate level of service to the Force and ensure payments are made within the contractual periods.</p>
3.4	<p>The increase in days to pay invoices in February shows 94.4 days. This has increased as the mitigations and improvements to the system have allowed a large number of aged invoices to be paid. For example, 180 aged invoices that were “stuck” due to system issues were released and paid in February.</p>

3.5

Table 3 summarises the ageing of unpaid creditor’s invoices as at 27 February 2018. Column A shows the position of all unpaid invoices and Column B shows the position excluding invoices in dispute or on hold. Column C shows the total number of invoices in each category, including invoices on hold or in dispute.

This shows a much improved position from October 2017 where there was £5,292,377 unapproved, unpaid invoices (comparator to column A).

Table 3: Analysis of Aged Creditor Unpaid Invoices (at 27 Feb 2018)

Days overdue	Column A All invoices	Column B Excl invoices on hold	Column C Number of invoices
Over 60 days	£800,893	£360,803	162
46-60 days	£51,474	£51,474	27
30-45 days	£305,576	£33,942	36
15-29 days	£134,363	£134,363	99
0-14 days	£1,236,670	£1,236,670	144
Not yet due	£723,842	£723,842	121
Total	£3,252,818	£2,541,094	589

Daily active management is in place to release payment for all invoices over 30 days presented in Column B (circa £445,000). The total number of invoices are reflected in Column C and there are a total of 589 invoices in the system.

Active management is also in place to address those disputed invoices and seek resolution and payment of the appropriate balances.

3.6

Debtors Analysis

3.6.1

Table 4 provides a comparative analysis of the Commissioner’s outstanding debts as at 28th February 2018.

Table 4 : PCC’s Analysis of Outstanding Debts as at 28th February 2018.

	1 to 3 Months £	3 to 6 Months £	6 to 12 Months £	> 12 Months £	Total £
As at 28 th February 2018	547,791	585,083	1,590,515	304,780	3,028,168
As at 30 th October 2017	0	1,573,901	334,803	163,026	2,071,731
As at 31 st March 2017	129,708	221,460	157,367	8,190	516,725

3.6.2

Table 4 shows a deterioration on ageing debtors. There has been no active chasing of debtors since the implementation of BW due to competing demands on the Finance departments time.

It is a priority for the Head of Finance to ensure that a robust credit control procedure is implemented and all debts are pursued and escalated to the legal

	<p>department where appropriate. As part of the year end accounting process the Head of Finance has reviewed the debt and recommenced credit control processes.</p> <p>Staff have been allocated to pursue the debt and to maintain timely financial procedures with billing and issuing reminders.</p>
3.6.3	<p>The top five debtors total £2,186,317 these form over two thirds the total sum and there are no concerns over the recoverability of these invoices as they relate to public sector partners for services that have been provided for a number of years. A robust and active credit control procedure has now been implemented. Specific resources has been allocated with responsibility for pursuing the debts.</p>
4.	<u>NEXT STEPS</u>
4.1	<p>Monthly reporting of both debtors and creditors positions will be provided to the S151 Officers 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>
5.	<u>FINANCIAL CONSIDERATIONS</u>
5.1	As detailed in the main body of this report.
6.	<u>PERSONNEL CONSIDERATIONS</u>
6.1	None.
7.	<u>LEGAL IMPLICATIONS</u>
7.1	None.
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	The issues detailed in the report present risk in respect of supplier confidence and the finance department has accelerated manual payments for the supplier that have made contact.
10.	<u>PUBLIC INTEREST</u>
10.1	This is a public document.

11.	<u>CONTACT OFFICER</u>
11.1	Rosanna Davies Assistant Accountant. Lorna Virgo, Head of Finance.
12.	<u>Annex</u> None.