

**OFFICE OF THE POLICE & CRIME COMMISSIONER**  
**OFFICE OF CHIEF CONSTABLE**

<b>TITLE:</b>	<b>Key Performance Indicators</b>
<b>DATE:</b>	<b>29<sup>th</sup> June 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 December 2016.
<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> March 2017 was: $\frac{\text{Current Assets}}{\text{Current Liabilities}} = \frac{\pounds 63.8\text{m}}{\pounds 11.1\text{m}} = 5.75$ <p>At 31<sup>st</sup> October 2016 the figure was:</p> $\frac{\text{Current Assets}}{\text{Current Liabilities}} = \frac{\pounds 68.0\text{m}}{\pounds 15.5\text{m}} = 4.39$
3.2.3	The PCC's Quick Ratio as at 31 <sup>st</sup> March 2017 was $\frac{\text{Current Assets} - \text{Stock}}{\text{Current Liabilities}} = \frac{\pounds 63.4\text{m}}{\pounds 11.1\text{m}} = 5.71$ <p>At the 31<sup>st</sup> October 2016 the figure was:</p> $\frac{\text{Current Assets} - \text{Stock}}{\text{Current Liabilities}} = \frac{\pounds 67.6\text{m}}{\pounds 15.5\text{m}} = 4.36$
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 the published 2015/16 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 £36.0m invested in fixed rate deposits maturing between 1 and 364 days, £10m 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	<p>As at 31<sup>st</sup> March 2017 the Commissioner's reserves as a percentage of the Revenue Budget Requirement for 2016/17 were:</p> $\frac{\text{Reserves}}{\text{BR}} \times 100\% = \frac{\text{£52.81m}}{\text{£119.54m}} \times 100\% = 44.18\%$ <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 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 (£10.9m) 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 1<sup>st</sup> November 2016 and 31<sup>st</sup> March 2017 expenditure incurred using Force purchasing cards totalled £167,587.49. A total of 1,396 transactions were conducted over this period with an average transaction value of £120.05. Operational and non-operational equipment purchased accounted for 29% of expenditure for the period, followed by accommodation 10%, stationary 12% and transportation (rail, underground, taxis, bus, airline) 22%, with 27% being classified as other, ungrouped expenditure.</p> <p>During the period there were 63 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>

<p>3.5</p> <p>3.5.1</p>	<p><u>Creditor Days</u></p> <p>Table 1 provides an analysis of the length of time the Commissioner has taken to pay creditors between 1<sup>st</sup> November 2016 and 31<sup>st</sup> March 2017:</p> <p><u>Table 1 : Creditor Payment Days</u></p> <table border="1" data-bbox="284 365 1401 595"> <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>62.03</td> <td>30</td> </tr> <tr> <td>Non Purchase Order Invoices</td> <td>27.96</td> <td>30</td> </tr> <tr> <td>Combined Average</td> <td>31.01</td> <td>30</td> </tr> </tbody> </table> <p>Purchase order invoices make up 8.96% of total invoice payments in the period.</p>	Payment Method	Number of Days from Invoice Date to Payment Date		Actual	Industry Standard	Purchase Order Invoices	62.03	30	Non Purchase Order Invoices	27.96	30	Combined Average	31.01	30
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<p>3.5.2</p>	<p>The majority of creditors offer terms of approximately 30 days. The average time it took to pay suppliers during the above period was 31.01 days, this is in-line with the industry standard.</p> <p>This is an increase from 19.64 days, reported for the period 1<sup>st</sup> April 2016 to the 31<sup>st</sup> October 2016 this was due to urgent maintained of the finance system during the last 2 weeks of March, and staff shortages due to staff secondments to the FIRMS project. Appendix 3 provides a rolling 12 month analysis of creditor payment days.</p>														
<p>3.5.3</p>	<p>Purchase Order (PO) invoices creditor payment days is still higher than the industry standard at 62.03 days. This is an increase on the figures reported in the report 1<sup>st</sup> April 2016 to 31<sup>st</sup> October 2016 (36.45 days). The reasons for the increase are disclosed in 3.5.2 above. During this time payments for smaller businesses, for which liquidity is a key priority, continue to be prioritised.</p>														
<p>3.5.4</p>	<p>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 8.96% of total invoices paid during the period 1<sup>st</sup> November 2016 to 31<sup>st</sup> March 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, will greatly improve the processing of invoices and it is expected that creditor payment days will reduce to industry standard.</p>														
<p>3.5.5</p>	<p>The percentage of invoices paid within 30 days during the following rolling 6 month period were:</p> <table border="1" data-bbox="284 1731 1423 1951"> <thead> <tr> <th>Report Date:</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>31<sup>st</sup> March 2017</td> <td>67</td> </tr> <tr> <td>31<sup>st</sup> October 2016</td> <td>82</td> </tr> <tr> <td>31<sup>st</sup> March 2016</td> <td>78</td> </tr> </tbody> </table>	Report Date:	%	31 <sup>st</sup> March 2017	67	31 <sup>st</sup> October 2016	82	31 <sup>st</sup> March 2016	78						
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<p>3.5.6</p>	<p>Appendix 3 provides the number of invoices paid per month. The peak in March 2017 reflects the work undertaken by the Purchasing and Payments team to process all 2016/17 invoices in the lead up to financial year end.</p>														

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 2015/16 as noted in 3.5.5 above has been published the Commissioner's website and the Commissioner will continue to meet this reporting 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> March 2017. A detailed breakdown of the individual outstanding debts is shown at Appendix 4a.</p> <p><u>Table 2 : PCC's Analysis of Outstanding Debts as at 31<sup>st</sup> March 2017</u></p> <table border="1" data-bbox="284 813 1406 1149"> <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 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>As at 31<sup>st</sup> October 2016</td> <td>48,278</td> <td>199,294</td> <td>133,732</td> <td>15,206</td> <td>396,510</td> </tr> <tr> <td>As at 31<sup>st</sup> March 2016</td> <td>294,408</td> <td>122,553</td> <td>20,352</td> <td>35,386</td> <td>472,699</td> </tr> </tbody> </table>		1 to 3 Months £	3 to 6 Months £	6 to 12 Months £	> 12 Months £	Total £	As at 31 <sup>st</sup> March 2017	129,708	221,460	157,367	8,190	516,725	As at 31 <sup>st</sup> October 2016	48,278	199,294	133,732	15,206	396,510	As at 31 <sup>st</sup> March 2016	294,408	122,553	20,352	35,386	472,699
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3.6.2	<p>In the '1 to 3 Month' category; £86,114.93 is due from the PCC for Dyfed Powys Police for a contribution to "Go Safe Campaign". The debt recovery procedures are being followed and payment is expected without delay.</p>																								
3.6.3	<p>In the 3 to 6 month category; £131,750 is due from the National Probation Service for Q2 Statutory Orders; £63,912.50 is due from SRS Partners for Information Security Costs this has been credited in 2016/17 and re-invoiced to the individual SRS partners. These debts have been passed to Joint Legal Services.</p>																								
3.6.4	<p>In the 6 to 12 month category; £18,670 is due from Independent Inquiry into Child Sexual Abuse (IICSA) for seconded officer costs; £131,750 is due from the National Probation Service for Q1 Statutory Orders. These debts have been passed to Joint Legal Services to pursue.</p>																								
3.6.5	<p>In the '12 Months and Over' category as previously reported to JAC; £678 is due from a former employee with respect to an overpayment of salary. Payments of £20 per month have been agreed.</p>																								
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>Between the period 1<sup>st</sup> November 2016 and the 31<sup>st</sup> March 2017 it took the Commissioner 116.08 days to collect outstanding debts compared to 88.58 days for the period 1<sup>st</sup> April 2016 and the 31<sup>st</sup> October 2016. This position is consistent with that reflected in the analysis of invoices outstanding in Table 3,</p>																								

	<p>which shows that 75% of invoices at the 31<sup>st</sup> March 2017 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 and Payments team, who managed debtors invoicing. At the 31<sup>st</sup> March the position remained unfilled but the remaining staff have been undergoing training in this area and backlogs are being addressed. Since the year end one new member of staff has been employed and a number of options are being investigated through the redeployment list.</p>																		
3.6.7	<p>During 2015/16 the Purchasing and Payments section began working more closely with the Joint Legal Team (JLS). The process for passing outstanding invoices over to JLS is now in place. Debtors are passed to legal 30 days after the second reminder letter is sent. Appendix 5a provides an analysis of debtor payment days covering the period 1<sup>st</sup> November 2016 to 31<sup>st</sup> March 2017.</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 31<sup>st</sup> March 2017. A detailed breakdown of the individual outstanding debts is shown at Appendix 4b and is overseen.</p> <p><u>Table 3 : Analysis of WITS Outstanding Debts as at 31<sup>st</sup> March 2017</u></p> <table border="1"> <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>Period Ending 31<sup>st</sup> March 2017</td> <td>69,469</td> <td>12,178</td> <td>10,822</td> <td>32,686</td> <td>125,155</td> </tr> <tr> <td>Period Ending 31<sup>st</sup> October 2016</td> <td>103,591</td> <td>81,037</td> <td>20,347</td> <td>36,023</td> <td>240,998</td> </tr> </tbody> </table>		1 to 3 Months £	3 to 6 Months £	6 to 12 Months £	> 12 Months £	Total £	Period Ending 31 <sup>st</sup> March 2017	69,469	12,178	10,822	32,686	125,155	Period Ending 31 <sup>st</sup> October 2016	103,591	81,037	20,347	36,023	240,998
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Period Ending 31 <sup>st</sup> October 2016	103,591	81,037	20,347	36,023	240,998														
3.6.9	<p>Between the 1<sup>st</sup> November 2016 and the 31<sup>st</sup> March 2017 it took WITS 86.67 days to collect outstanding debts compared to 126.70 days for the period 1<sup>st</sup> April 2016 to the 31<sup>st</sup> October 2016.</p> <p>Appendix 5b provides an analysis of debtor payment days covering the period 1<sup>st</sup> November 2016 to 31<sup>st</sup> March 2017.</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 2<sup>nd</sup> December 2016. The debt at 30<sup>th</sup> June 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>																		

	1) Chepstow Town Council, £22,054.00, invoice P12722 dated 20 <sup>th</sup> March 2015.
3.7.2	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.
3.7.3	There are also £839.04 of invoices that are proposed to be written off. These can be broken down as follows: Tros Gynnal Plan £234.02 (October 2014) Business in Focus £187.60 (February 2015) Wrexham Country Borough Council £125.28 (January 2015) G4S Care & Social Justice £291.44 (November 2014).
<b>4.</b>	<b><u>NEXT STEPS</u></b>
4.1	KPI's will continue to be developed and monitored and will be reported again to JAC members in December 2017.
<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	Gavin Williams, Financial Accountant.

Lorna Virgo, Head of Finance.

**12. APPENDICES**

12.1 1. Most similar forces – Current Ratios as at 31<sup>st</sup> March 2017



Appendix 1.pdf

2. Most similar forces - Reserves as % of BR at 31<sup>st</sup> March 2017



Appendix 2.pdf

3. Days to Pay Supplier Invoices & No. of Invoices Paid



Item 12 KPI Report  
Appendix 3.pdf

4. Aged Debtor Analysis as at 31<sup>st</sup> March 2017



Appendix 4a.pdf



Appendix 4b.pdf

5. Debtors Payment Days



Appendix 5a.pdf



Appendix 5b.pdf