

OFFICE OF THE POLICE AND CRIME COMMISSIONER

OFFICE OF THE CHIEF CONSTABLE

TITLE:	Key Performance Indicators
DATE:	30th June 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 December 2015.
2.2	In July 2014 JAC members recommended that the existing KPIs be developed to include additional material to enable members to contextualise the information.
2.3	This report is the fourth that contains this additional information.
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 Commissioner's Current Ratio as at 31 st March 2016 was: $\frac{\text{Current Assets}}{\text{Current Liabilities}} = \frac{\text{£64.10m}}{\text{£22.93m}} = 2.80$
3.2.3	The Commissioner's Quick Ratio as at 31 st March 2016 was $\frac{\text{Current Assets} - \text{Stock}}{\text{Current Liabilities}} = \frac{\text{£63.70m}}{\text{£22.93m}} = 2.78$
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 2014/15 Statement of Accounts.

3.2.6	The Commissioner has the highest current ratio amongst the Forces compared. This is explained by the Commissioner having higher levels of short term investments (backed by cash reserves). At the 31 st March 2016 the Commissioner had £37m invested in fixed rate deposits maturing between 1 and 364 days, £9m 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 3.3.1	<u>Reserves as a percentage of Budget Requirement</u> 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 st March 2016 the Commissioner's reserves as a percentage of the Revenue Budget Requirement for 2015/16 were: $\frac{\text{Reserves}}{\text{BR}} \times 100\% = \frac{\text{£49.69m}}{\text{£117.77m}} \times 100\% = 42.11\%$ The Reserve balance above reflects General and Earmarked Reserve balances including Capital and Sinking Funds as disclosed in the Commissioner's 2015/16 draft Statement of Accounts. The budget requirement reflects the approved revenue budget of the Commissioner.																		
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 (£9.11m) 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 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 2014/15 Statement of Accounts.																		
3.4 3.4.1	<u>Purchasing Card Compliance</u> Between 1 st Nov 2015 and 31 st March 2016 expenditure incurred using purchasing cards totalled £154,140.18. A total of 1,276 transactions were conducted with an average transaction value of £121. Table 1 below is a summary of the expenditure by type of transaction for the period and for the financial year : <u>Table 1 : Purchasing Card Spend</u> <table border="1" data-bbox="284 1653 1066 1883"> <thead> <tr> <th>Expenditure Description</th> <th>£000</th> <th>FY £000</th> </tr> </thead> <tbody> <tr> <td>Operational Equipment</td> <td>45</td> <td>129</td> </tr> <tr> <td>Travel/Accommodation/Training</td> <td>52</td> <td>128</td> </tr> <tr> <td>Other</td> <td>56</td> <td>106</td> </tr> <tr> <td>Total £:</td> <td>154</td> <td>363</td> </tr> <tr> <td>Total transactions:</td> <td>1,276</td> <td>3,013</td> </tr> </tbody> </table>	Expenditure Description	£000	FY £000	Operational Equipment	45	129	Travel/Accommodation/Training	52	128	Other	56	106	Total £:	154	363	Total transactions:	1,276	3,013
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3.4.2	Purchasing card activity is continually monitored including usage, off-contract spend and spending limits. A recent review of the number of purchasing cards that were in circulation was conducted and 27 out of the 84 cards in circulation were recalled due to card inactivity. As at the 31 st March 2016 there are 57 cards active.																		

3.4.3	<p>During the period there were no instances of off contract spend. The only instance, of off contract spend during the financial year was reported to JAC in December 15. This related to the purchase of medical equipment for the Force's custody units from Ash Medical Ltd rather than with the contracted supplier Lewis Medical Supplies.</p> <p>The only compliance issue during the period was £5,500 of fraudulent spend by a cardholder which resulted in the dismissal of the employee.</p>															
3.5 3.5.1	<p><u>Creditor Days</u></p> <p>Table 2 provides an analysis of the length of time the Commissioner has taken to pay creditors between 1st November 2015 and 31st March 2016:</p> <p><u>Table 2 : Creditor Payment Days</u></p> <table border="1" data-bbox="284 656 1393 887"> <thead> <tr> <th data-bbox="284 656 751 734">Payment Method</th> <th colspan="2" data-bbox="751 656 1393 734">Number of Days from Invoice Date to Payment Date</th> </tr> <tr> <td data-bbox="284 734 751 768"></td> <th data-bbox="751 734 1019 768">Actual</th> <th data-bbox="1019 734 1393 768">Industry Standard</th> </tr> </thead> <tbody> <tr> <td data-bbox="284 768 751 808">Purchase Order Invoices</td> <td data-bbox="751 768 1019 808">37.84</td> <td data-bbox="1019 768 1393 808">30</td> </tr> <tr> <td data-bbox="284 808 751 848">Non Purchase Order Invoices</td> <td data-bbox="751 808 1019 848">21.08</td> <td data-bbox="1019 808 1393 848">30</td> </tr> <tr> <td data-bbox="284 848 751 887">Combined Average</td> <td data-bbox="751 848 1019 887">22.50</td> <td data-bbox="1019 848 1393 887">30</td> </tr> </tbody> </table>	Payment Method	Number of Days from Invoice Date to Payment Date			Actual	Industry Standard	Purchase Order Invoices	37.84	30	Non Purchase Order Invoices	21.08	30	Combined Average	22.50	30
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3.5.2	<p>The majority of creditors offer terms of approximately 30 days. The average time it took to pay suppliers during the above period was 22.50 days, well below the industry standard.</p> <p>This is reduction from 28.53 days, reported for the period 1st April 2015 to the 31st October 2015 and 28.18 days reported for the financial year 2014/15. Appendix 3 provides a rolling 12 month analysis of creditor payment days.</p>															
3.5.3	<p>Purchase Order (PO) invoices creditor payment days is still higher than the industry standard at 37.84 days. However actual days for the period, has reduced from 46.45 days reported to JAC in December 2015, for the period 1st April 2015 to the 31st October 2015. This is the result of a management review of the purchase order database and training of Purchasing and Payments staff to become more omni-competent in Section tasks.</p>															
3.5.4	<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 10% of total invoices paid during the financial year 2015/16.</p>															
3.5.5	<p>The percentage of invoices paid within 30 days during the rolling 6 month period to the 31st March 2016 was 78% compared to 75% reported for the period 1st April 2015 to the 31st October 2015 and 69% reported for the financial year 2014/15.</p>															
3.5.6	<p>Appendix 3 also 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.</p>															
3.5.7	<p>Members are asked to note that in March 2016 a Government Procurement Policy Note (PPN) was circulated making it a requirement that the Commissioner publishes on the internet the following statistics:</p>															

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

Performance for the financial year 2015/16 must be published after March 2016 and then at the end of each financial year. The Commissioner will meet this requirement through publishing this report.

The policy highlights Government commitment to improving payment times to assist the cash flow of businesses.

3.6

Debtors Analysis

3.6.1

Table 3 provides a comparative analysis of the Commissioner's outstanding debts as at 31st March 2016. A detailed breakdown of the individual outstanding debts is shown at Appendix 4a.

Table 3 : PCC's Analysis of Outstanding Debts as at 31st March 2016

	1 to 3 Months £	3 to 6 Months £	6 to 12 Months £	> 12 Months £	Total £
Period Ending 31 st March 2016	294,408	122,553	20,352	35,386	472,699
Period Ending 31 st October 2015	344,189	135,203	33,998	9,048	522,438

3.6.2

In the '1 to 3 Month' category; £40,977 is due from Independent Inquiry into Child Sexual Abuse (IICSA) for Seconded Officer costs; £131,806 is due from the National Probation Service for the quarterly NPS statutory orders; £93,950 is due from the PCC for South Wales Police for Seconded Officer costs. The debt recovery procedures are being followed and payment is expected without delay.

3.6.3

In the 3 to 6 month category; £104,297 is due from the PCC for South Wales Police in relation to Seconded Officer costs; £3,962 is due from Newport County AFC for the Policing of football matches. A payment plan has been agreed and the football club has been making payments in accordance with this arrangement; £13,345 is due from the Shared Resource Services (SRS) for reimbursement of cleaning costs incurred for Ty Cyd 1, 2 and 3. Copy invoices have been supplied and no further delay in payment is expected.

3.6.4

In the 6 to 12 month category; £14,379 is due from HMIC in relation to Seconded Officer costs. A copy of the invoice has been sent and no further delay is expected; £9,367 is due from Go Safe for the purchase of speed detection cameras. Go Safe has communicated that the invoice needs to be cancelled and re-issued to the PCC for Dyfed Powys Police. This is currently being investigated and the invoice has been placed on hold.

3.6.5

In the '12 Months and Over' category as previously reported to JAC; £994 is due from a former employee with respect to an overpayment of salary. Payments of £20 per month have re-started and no further delays are expected; £2,781 relates to an invoice to the National Probation Service for the Gwent Strategic Management Board Multi Agency Public Protection

	<p>Arrangements (SMB MAPPA) costs. A copy invoice has been supplied and no further delay is expected; £6,000 is due from the BBC in relations to production work for 'The Devils Vice' DVD on behalf of Gwent Independent Film Trust. The invoice relates to a second instalment of services undertaken which was under query but has now been resolved and payment is expected; £22,054 is outstanding from Chepstow Town Council with regard to 2014/15 funding for Police Community Support Officers (PCSOs). It was been confirmed that no agreement was in place and the invoice was raised in error (see paragraph 3.7.3. for the next steps).</p>																		
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 2015 and the 31st March 2016 it took the Commissioner 71 days to collect outstanding debts compared to 61 days for the financial year 2014/15. This position is consistent with that reflected in the analysis of invoices outstanding in Table 3, which shows that 38% of invoices at the 31st March 2016 are more than 3 months outstanding.</p> <p>Receiving prompt payment from other Commissioners continues to be a challenge. During the financial year it took an average of 62 days to receive payment of outstanding invoices.</p>																		
3.6.7	<p>During 2015/16 the Purchasing and Payments section began working more closely with the Joint Legal Team (JLS) However work is still in the early stages and the benefits will not materialise until 2016/17.</p> <p>In addition, Debtors are now provided with monthly statements disclosing their outstanding debt position.</p> <p>Appendix 5a provides a 12 month analysis of debtor payment days.</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 4 provides a comparative analysis of the WITS outstanding debts as at 31st March 2016. A detailed breakdown of the individual outstanding debts is shown at Appendix 4b.</p> <p><u>Table 4 : Analysis of WITS Outstanding Debts as at 31st March 2016</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>> 12 Months £</th> <th>Total £</th> </tr> </thead> <tbody> <tr> <td>Period Ending 31st March 2016</td> <td>74,229</td> <td>18,548</td> <td>49,818</td> <td>35,860</td> <td>178,455</td> </tr> <tr> <td>Period Ending 31st October 2015</td> <td>93,413</td> <td>38,180</td> <td>87,821</td> <td>17,896</td> <td>237,731</td> </tr> </tbody> </table>		1 to 3 Months £	3 to 6 Months £	6 to 12 Months £	> 12 Months £	Total £	Period Ending 31 st March 2016	74,229	18,548	49,818	35,860	178,455	Period Ending 31 st October 2015	93,413	38,180	87,821	17,896	237,731
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3.6.9	<p>Between the 1st April 2015 and the 31st March 2016 it took WITS 78 days to collect outstanding debts.</p> <p>Appendix 5b provides a rolling 12 month analysis of WITS debtor payment days.</p>																		
3.6.10	<p>WITS related debts are managed by the WITS administration team based at</p>																		

	Maindee Police Station and the WITS team are responsible for managing debt recovery for all their invoices.
3.7	<u>Write-Offs</u>
3.7.1	In line with financial procedures all debts greater than £500 must be approved by JAC. It is recommended that JAC consider the write off of the following outstanding invoices; <ul style="list-style-type: none"> a) PCC for South Wales Police, £2,819.03, invoice P11979 dated 30th June 2014; and b) Chepstow Town Council, £22,054.00, invoice P12722 dated 20th March 2015.
3.7.2	The PCC for South Wales Police debt relates to work carried out by a variety of Gwent Police Officers on Tarian Operations. Normal practice is that these costs are recharged however no agreement can be found between the Forces for the work invoices. Therefore the invoice has been rejected by the PCC for South Wales Police.
3.7.3	The Chepstow Town Council debt relates to the funding of PCSOs for the financial year 2014/15. Chepstow Town Council claim, 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 has confirmed that no agreement was in place and that the invoice was raised in error.
3.7.4	If the above write offs are agreed, the Commissioner has a £12,000 bad debt provision set aside which will mitigate the impact of the write offs against the 2016/17 revenue budget.
4.	<u>NEXT STEPS</u>
4.1	JAC members to consider the recommended bad debt write offs.
4.2	KPI's will continue to be developed and monitored and will be reported again to JAC members in December in 2016.
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 the 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	<ol style="list-style-type: none"> 1. Most similar forces – Current Ratios as at 31st March 2016 2. Most similar forces - Reserves as % of BR at 31st March 2016 3. Days to Pay Supplier Invoices & No of Invoices Paid 4. Aged Debtor Analysis as at 31st March 2016 5. Debtors Payment Days