

Report to: **Audit and Best Value Scrutiny Committee**
Date: **2 June 2010**
By: **Deputy Chief Executive and Director of Corporate Resources**
Title of report: **Payment of Invoices - update**
Purpose of report: **To update the Committee on the status of prompt payment of invoices. This follows a presentation to a prior meeting.**

RECOMMENDATION: That the Committee notes the improving trend against target in promptly paying suppliers.

1. Financial Appraisal

1.1 There are no direct financial implications for this report.

2. Context

2.1 A prior meeting received a presentation on the payment of invoices during 2008/09 which explained:

- Background
- Performance targets
- Latest performance
- Audit opinion
- Benchmarking
- Future improvements

An update to reflect the financial year 2009/10 (with 2008/09 comparatives in brackets) is set out below.

3. Volumes

3.1 During 2009/10 some 215,000 (214,000) payments were processed with a value of £552m (£514m). The payment types include purchase order payments and non-purchase order payments whilst including payments from other systems.

4. Performance Targets

4.1 Performance targets are based on average days to pay an invoice and percentage paid promptly which are applied specifically to two groups of suppliers;

Target average days to pay:

	<u>2009/10</u>	<u>2008/09</u>
Small and Medium Sized Enterprises (SME's)	10 days	10 days
All our commercial suppliers (inc. SME's)	25 days	25 days

Target % paid promptly (despatched by agreed date):

	<u>2009/10</u>	<u>2008/09</u>
All our commercial suppliers (inc. SME's)	90%	89%

5. Performance Outcomes

5.1 The statistics for the year show:

Actual average days to pay:

	<u>2009/10</u>	<u>2008/09</u>
For SME's (paragraph 7 below)	12 days	13 days
For our commercial suppliers (inc. SME's)	20 days	21 days

Actual paid promptly (despatched by agreed date):

	<u>2009/10</u>	<u>2008/09</u>
All our commercial suppliers (inc. SME's)	92%	89%

A breakdown of the overall payment terms achieved by Departments shows:

Department	2009/10	2008/09
Adult Social Care	96%	93%
Children's Services (paragraph 7 below)	81%	80%
Corporate Resources	92%	91%
Governance & Community Services	91%	92%
Transport & Environment	94%	90%
Overall	92%	89%

6. Validation

6.1 The audit for 2009/10 has been completed and achieved full assurance. Benchmarking comparisons with other County Councils are based on criteria as follows:

	<u>For 2008/09</u>
Cost per invoice (paragraph 7 below)	higher than average
Duplicate payments	lowest
Payments by BACS	higher than average
Good practice score	higher than average

Benchmarks to permit comparison against 2009/10 are not due until later in the year.

7. Year on Year Comparisons

7.1 The year on year indicators show an improving trend overall and demonstrate the emphasis placed on process improvement. The following remarks are relevant:

- Up to date performance outcomes:
 - During April of this year payments were despatched to SME's within 11 days of receipt of invoice
 - Also during April Children's Services paid 94% of their invoices promptly
- Costs (including cost per invoice) will be reduced with the centralisation of the Accounts Payable function during the current financial year.

8. Conclusion

8.1 New developments are now in process or being tested to further enhance our supplier/invoicing/prompt payment relationships and practice:

- The introduction of procurement cards. These have similarities to a credit card but applied to a corporate setting these cards ensure tight control over categories of spend and ensure prompt payment
- The auto approval of purchase orders below £250
- The centralisation of accounts payable (consolidating the function) will result in cost savings accompanied by further standardisation and simplification of best practice.

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BACKGROUND DOCUMENTS

None