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| COMMITTEE: | Cabinet |
| DATE: | 13th February 2003 |
| SUBJECT: | Performance Monitoring Update |
| REPORT OF: | Head of Financial Management |
| Ward(s): | All |
| Purpose: | To update Cabinet on the Council's performance in the percentage of invoices paid within 30 days or other mutually agreed terms, and on the action taken and planned to continuously improve performance. |
| Contact: | Bruce Bird, Head of Financial Management, Telephone 0323 415146 or internally on extension 5146. |
| Recommendations: | Cabinet is recommended to note the recent progress made in improving performance against target and the action planned to enable continuous improvement. |

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| 1.0 | <u>Background</u> | |
| 1.1 | Cabinet at its meeting on 5 th December 2002 received a regular report on Performance Monitoring. One of the top 13 indicators selected for in depth monitoring is the percentage of invoices paid within 30 days or other mutually agreed terms. In-house we describe these as creditor payments. | |
| 1.2 | The December report showed that this particular indicator was neither improving nor on course to meet its target for the year. As a result, Cabinet resolved that this indicator be given specific attention to address its current under-performance. Councillor Tutt was delegated by Cabinet to work with officers to improve performance. | |

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| 2.0 | <u>Performance Target</u> | |
| 2.1 | Effectively, Government has set the target for this particular indicator. The performance standard set by Government for the current year is 100%. This follows on from a succession of previous year on year increases. | |
| 2.2 | The target can be related back to the introduction by Government of legislation to provide statutory protection for small businesses from late payment by large businesses. This legislation - Late Payment of Commercial Debts (Interest) Act 1998 - came into force on 1st November 1998. For the first two years the statutory right to claim interest on late payment was afforded to small businesses claiming only from large businesses. From 1 st November 2000 this was extended so that small businesses are able to claim from other small businesses. From 1 st November 2002 this was further extended so that all businesses and the public sector are able to claim interest on late payment from all businesses and the public sector. | |
| 2.3 | The whole of the business community and whole of the public sector is clearly at risk of having to pay interest on the late payment of debts if pursued by the victims of late payment. The rate of interest payable is determined by the legislation and is set at the Bank of England base rate (currently 4%) plus 8%. Therefore, in a worst case scenario, the Council could be liable to pay interest at 12% on the late payment of an invoice. | |
| 2.4 | Members should be aware that the statutory right to claim interest is not compulsory - a supplier is free to decide whether or not to make a claim for interest. We experience very few claims for late payment, although there have been some. Where this does happen it results in an additional, albeit not significant, cost on the goods or services supplied. | |
| 3.0 | <u>Performance Monitoring</u> | |
| 3.1 | The Council's performance against the standard for this year has been 85% for each of the first two quarters. This was reported to Cabinet in December. | |

| 3.2 | Since then improvements that had previously been put in place, together with others that have been introduced on an ongoing basis, have started to pay dividends. This is evidenced in the following table - | | | | | | | | | | | | | |
|-----------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|------------|--------------|----|---------------|----|---------------|----|-----------------------------------------------|-----------|---------------------------------------|----|--|
| | <table border="1"> <thead> <tr> <th data-bbox="593 342 999 450">Period</th> <th data-bbox="999 342 1401 450">Percentage</th> </tr> </thead> <tbody> <tr> <td data-bbox="593 450 999 557">October 2002</td> <td data-bbox="999 450 1401 557">93</td> </tr> <tr> <td data-bbox="593 557 999 665">November 2002</td> <td data-bbox="999 557 1401 665">94</td> </tr> <tr> <td data-bbox="593 665 999 772">December 2002</td> <td data-bbox="999 665 1401 772">86</td> </tr> <tr> <td data-bbox="593 772 999 911">3rd Quarter - October to December 2002</td> <td data-bbox="999 772 1401 911">92</td> </tr> <tr> <td data-bbox="593 911 999 1048">Year to date - April to December 2002</td> <td data-bbox="999 911 1401 1048">87</td> </tr> </tbody> </table> | Period | Percentage | October 2002 | 93 | November 2002 | 94 | December 2002 | 86 | 3rd Quarter - October to December 2002 | 92 | Year to date - April to December 2002 | 87 | |
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| Year to date - April to December 2002 | 87 | | | | | | | | | | | | | |
| 3.3 | Despite a downturn in December, which itself was higher than the previous rolling average, the performance for the third quarter has shown very considerable improvement compared with previous quarters. This is starting to drive up our annual performance so that we already exceed our result for the previous financial year - 2001-2002 was 86%. | | | | | | | | | | | | | |
| 4.0 | <u>Performance Action</u> | | | | | | | | | | | | | |
| 4.1 | Over a period of time I have been working with Support Service Managers and other key members of departmental teams, together with my own staff, to raise the profile of payment of invoices. The message is clearly getting through to all parts of the Council that it makes good business sense to process and pay promptly all invoices. Critically, it helps to avoid the potential financial liability of paying interest on late payment. | | | | | | | | | | | | | |

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| 4.2 | <p>Specific areas that have already been addressed include -</p> <ul style="list-style-type: none"> “ date stamping invoices upon receipt “ one to one training and education with users “ establishing procedures to deal with invoices in dispute “ increasing the number of weekly payments “ increasing the scope of payment runs “ reducing standard system payment terms “ producing monthly rather than just quarterly monitoring figures “ passing monitoring information to departments more quickly “ improved communication between my central team and departmental support service teams, including meetings where appropriate | |
| 4.3 | <p>For the future we need to consolidate and build on the progress we have made to date, so that we can continuously improve our performance. For example, we are looking for further improvements from the implementation in late February of Powersolve version 8. This is the latest release of the software application which is the Council's primary integrated financial information system, and which runs the creditor module. It should improve our management and reporting of invoices in dispute which should also lead to improvement in our performance figures.</p> | |
| 4.4 | <p>However, if we are ever to reach and maintain a standard at 100% we do need to embrace new working practices and new technology. To this end, as chair of the e-Government finance group, I am working with a team of senior Council managers on an e-procurement project. This project, assuming it can demonstrate clear business benefits through its feasibility study, will be developed throughout the next financial year. It has the potential, over time, to significantly change the way we procure goods and services, and the way in which we order from and are invoiced by our suppliers. A fundamental element of the project will be how it allows us to achieve a 100% standard of performance.</p> | |
| 5.0 | <p><u>Implications</u></p> | |
| 5.1 | <p>There are no implications other than those listed in the report.</p> | |

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| 6.0 | <u>Conclusion</u> | |
| 6.1 | Performance is improving but further | action is required to secure continuous improvement. This improvement is due to the hard work of many officers in raising the profile and importance of prompt payment. |
| Bruce Bird, Head of Financial Management | | |
| Background Papers: The background papers used in compiling this report are as follows: - Cabinet report 5 th December - Performance monitoring | | |