

Leicester  
City Council

**WARDS AFFECTED**  
All

**Audit & Risk Committee**

**2 December 2015**

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**Invoice Payment Data**

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**Report of the Director of Finance**

**1. Purpose of Report**

The purpose of this report is to provide Audit and Risk Committee with an overview of the timeliness of invoices payments the authority makes to its suppliers of goods and services.

**2. Recommendations**

Members of Audit and Risk Committee are asked to note the content of the report and the work recently undertaken to meet the Executive pledge to improve the payment terms for small local businesses.

**3. Report**

**3.1 Background Information**

The corporate exchequer team, part of the business service centre, are responsible for processing payments to suppliers of goods and services in accordance with the payment terms agreed with the supplier. Before ordering goods and services it is the responsibility of the cost centre manager to raise a purchase order. A purchase order is a commercial document issued by the buyer of goods or services to the seller, indicating types, quantities, and agreed prices for products or services.

When the goods or services are supplied the cost centre manager acknowledges this by 'receipting' the goods or services via the corporate finance system. The goods receipting process is a means of accepting the goods or services are fit for purpose and suitable in the sense that goods are not damaged and the quantity ordered is delivered, or the service is delivered to a satisfactory standard.

The next step is for the supplier to send an invoice and once this is received by the payments team the payment process can commence.

**3.2** The authority makes on average 10,000 payments per month which equates to an average monthly spend of £50m.

#### 4. **Payment Performance**

Payment performance and statistical data is produced monthly and this enables management to monitor performance and investigate the reasons why payments are made after the agreed date. These can range from:

- Invoices being disputed with the supplier by the cost center manager.
- Purchase orders have not been raised before the goods and services were ordered.
- The goods or services have not been signed off as 'received' by the cost centre manager.
- Invoices received late by the payments team.

Information relating to the timeliness of invoice payments can be found at **Appendix 1**. It should be noted that the timeliness of payments slipped during a 4 month period in 2014/15. This was due to the significant changes the service was going through (see below)

Information relating the number and value of invoices paid can be found at **Appendix 2**

#### 5. **Service Improvements**

Over the past 20 months the way in which the authority process its invoices has significantly changed. This includes:

- Introducing the facility to scan invoices into the finance system, reducing the need for manual data inputting.
- Encouraging suppliers to submit invoices electronically via email to a central email address greatly improving efficiency and reducing processing time.
- Where paper invoices are provided, working towards all suppliers sending invoices to one central address, rather than the current arrangements of addressing them to different locations throughout the city. Again this will result in reducing the processing time.
- Introducing XML technology, this enables large suppliers such as ESPO to provide information electronically negating the need to provide paper invoices.
- Working with suppliers and managers to introduce a 'No Purchase Order, No Pay' ethos. This leads to invoices being processed, authorised and paid much quicker.
- Reviewing the tasks undertaken by staff in the payments team resulted in reducing the staffing resources needed to process payments by 40% from 22 to 9 FTE.

## **6. Payments to Small Local Business**

Following the Local Elections in June 2015 the Executive made a pledge to small local businesses to improve payment terms for monies owed to them by Leicester City Council. The pledge detailed improved payment terms from 30 to 21 days for all small local businesses. The aim is to optimise cash flow for suppliers in our locality, enhancing their financial stability, and helping future economic growth. 765 such suppliers were identified.

Work was completed in mid-September and payment terms changed from 30 to 21 days from 1 October 2015. These local suppliers were written to explaining the more favourable terms. Managers were also be notified, setting out their responsibility to process invoices promptly to ensure these revised deadlines are met.

As the improved payments terms started on 1<sup>st</sup> October we only have payment performance figures for 1 month. This shows we paid 155 invoices to suppliers whose payment terms are set 21 days in October of which 54% were paid on time. Obviously as this is the first month in which payment terms have been changed for it will take time for the changes to bed in for both suppliers and cost centre managers

## **7. Finance Implications**

There are no significant financial implications arising for this report

*Colin Sharpe Head of Finance*  
*Ext 37 4081*

## **8. Legal Implications**

There are no legal implications arising from this report but it should be noted that by making payment to local suppliers within 21 days the Council is meeting a higher standard than required under legislation.

*Emma Horton Head of Law (Contract, Property & Planning)*  
*Ext 37 1426*

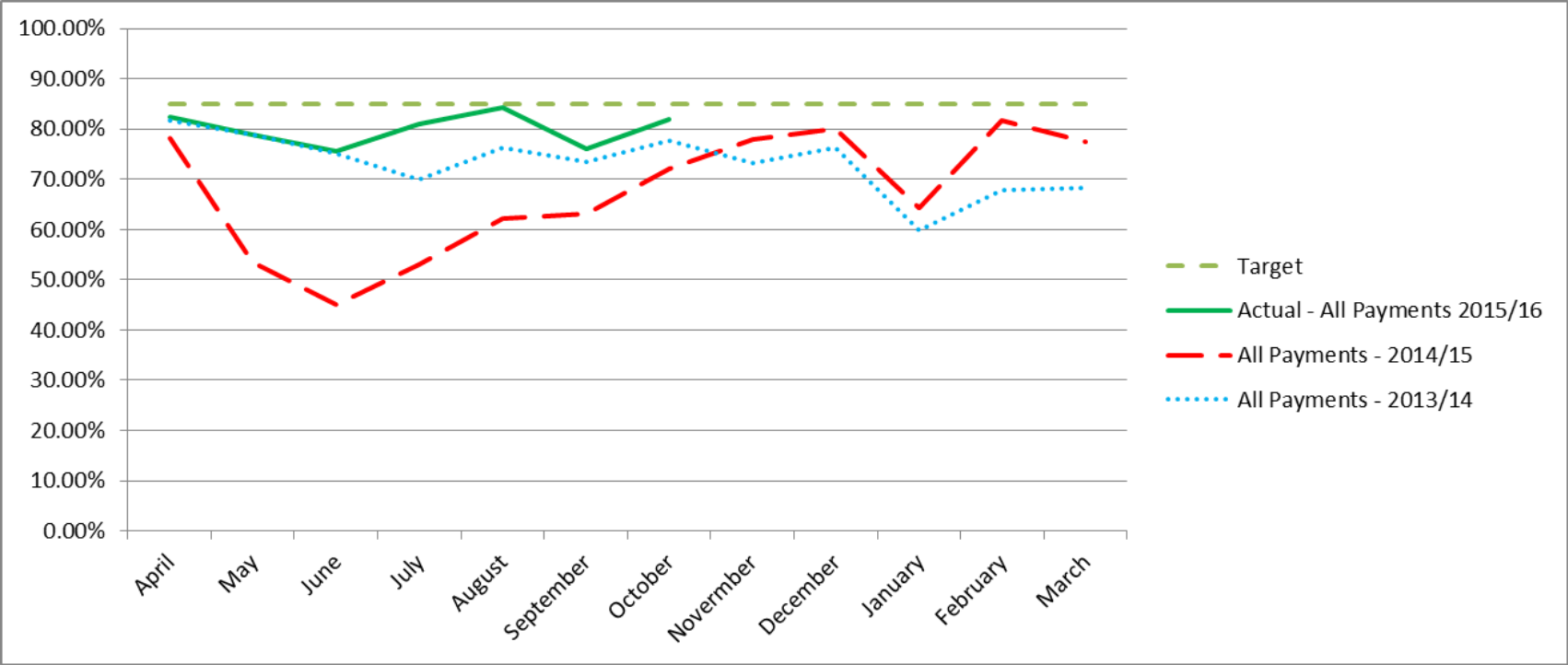
## **9. Report Author/Officer to contact:**

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Appendix 1

Invoices Paid on Time



## Appendix 2

