

Leicester
City Council

WARDS AFFECTED
All

Audit & Risk Committee

15 June 2016

Invoice Payment Data – Half Yearly Update

Report of the Director of Finance

1. Purpose of Report

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

2. Recommendations

Members of the Audit and Risk Committee are asked to note the content of the report and the measures put in place to meet the manifesto commitment to improve the payment terms for small local business.

3. Report

3.1 Background Information

The corporate exchequer team, part of the Business Service Centre (BSC), is 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.

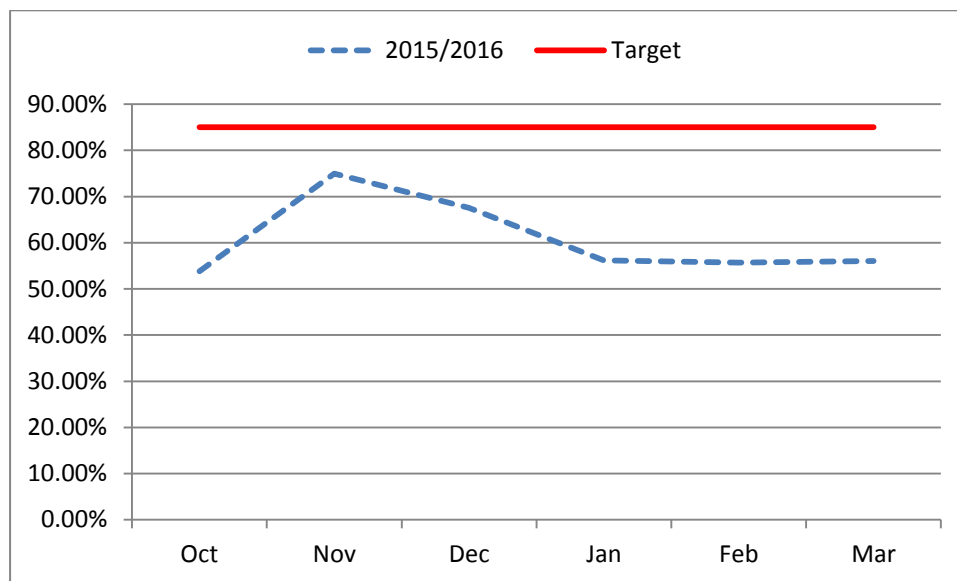
3.2 The authority makes on average 10,000 payments per month which equates to an average monthly spend of £50m.

4. Update since last report to Audit & Risk Committee in December 2015

4.1 Progress to meet the manifesto commitment to improve local small business payment terms continues to be monitored closely. The commitment reduced payment terms from 30 to 21 days meaning that those invoices get paid more quickly. The aim of this is to optimise cash flow for suppliers in our locality enhancing their financial stability.

The improved payment terms were introduced in October 2015 and affected some 765 suppliers (identified by an “LE” postcode). The following table shows the percentage of payments made to small businesses within the new payment terms.

Payment Performance



4.2 As demonstrated above since payment terms were changes for small local businesses last October, on average 60% are being paid on time. This is below the overall corporate performance for all supplier payments as detailed in **Appendix 1** and below the target set. Although it should be noted that average payment terms are 30 days rather than 21 therefore we are not actually comparing like for like.

4.3 **Investigations undertaken to identify why the targets are not been met**

- The delay in suppliers sending in their invoices for payment
- Invoices been sent to individual cost centre managers for payment then these having to be forwarded to the Business Service Centre (BSC) for the payment to be processed

- Some invoices being disputed and the need for resolution which in turn delays the payment
- The cost centre manager not raising a purchase order when ordering the goods or services from the supplier, again this delays payment
- The goods or services have not been signed off as 'received' by the cost centre manager.
- Delays in managers sending invoices to the BSC for payment
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4.4 **Steps taken to improve performance included:**

- Identifying which invoices are paid late and challenging the relevant manager to establish why.
- In March 2016 we wrote to all suppliers setting out how Leicester City Council is improving how it processes supplier invoices to meet its obligation to pay invoices within the agreed terms. The letter included how supplier can assist in this, by means of:
 - Always obtain a Purchase Order Number before supplying goods or services to the authority
 - Ensuring the name of the person who placed the order is clearly shown on the invoice
 - Send invoices directly to the BSC for payment rather than a named individual or departments
 - Setting out the authority's preferred method of receiving invoices is via email directly to the BSC
 - Setting out that the authority's preferred method of paying supplier invoices is via BAC's rather than cheques

If managers and suppliers adhere to these improved changes we should expect to see an increase in payment performance.

5. **Additional performance data**

Appendix 2, shows the total volume of payments made each month over the past 3 financial years

Appendix 3, shows the total value of payments made each month over the past 3 financial years.

6. **Finance Implications**

There are no significant financial implications arising for this report

Colin Sharpe Head of Finance
Ext 37 4081

7. 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*

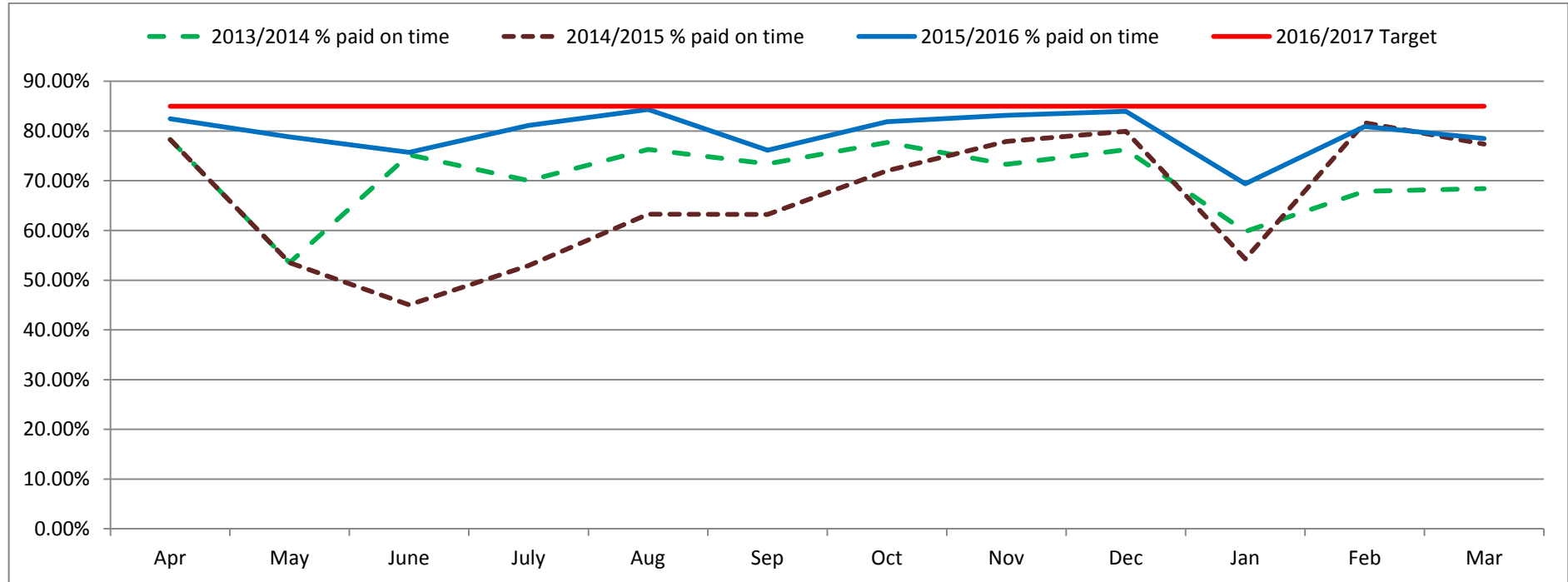
8. Report Author/Officer to contact:

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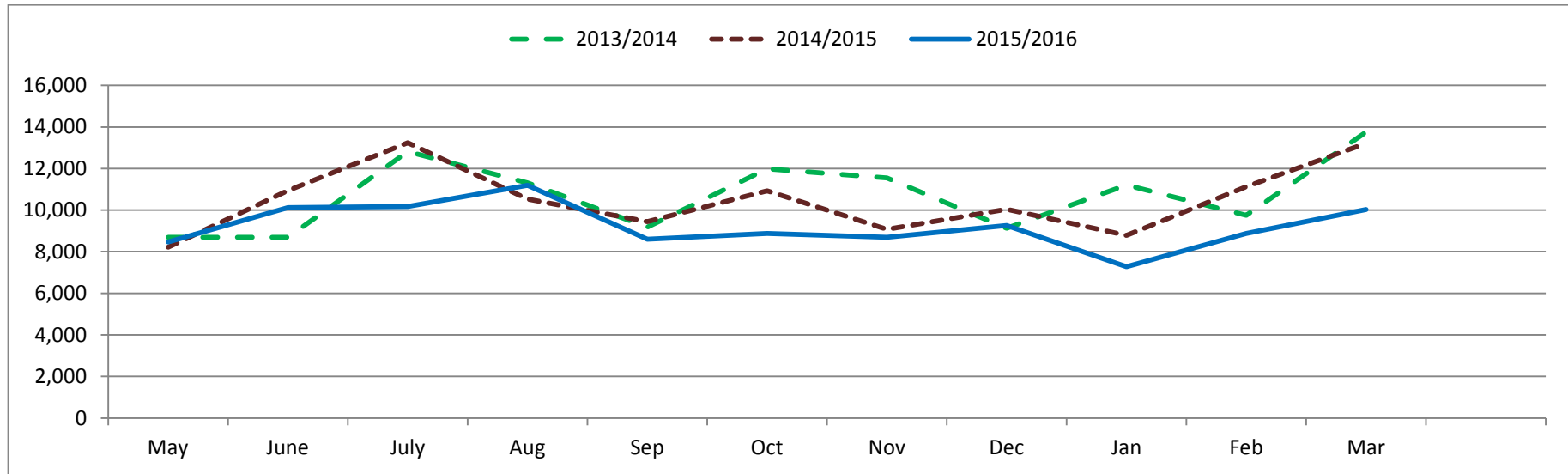
Appendix 1

Invoices Paid on Time



Appendix 2

Volume of Payments



Appendix 3

Value of Payments

