

Leicester  
City Council

**WARDS AFFECTED**  
All

**Audit & Risk Committee**

**16 November 2016**

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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 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.

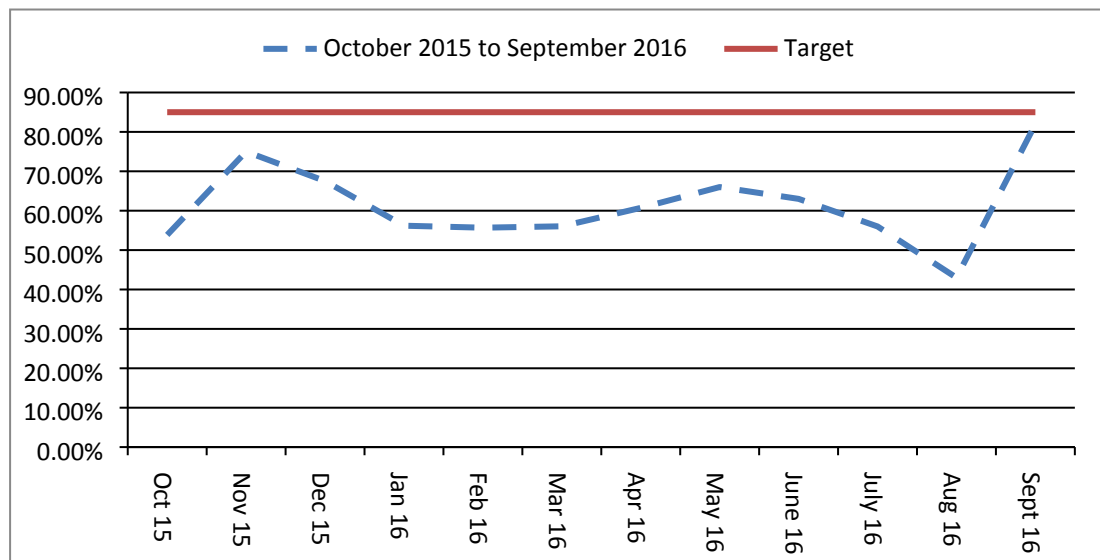
3.2 The authority makes on average 9,000 payments per month which equates to an average monthly spend of £47m.

#### 4. Update since last report to Audit & Risk Committee in June 2016

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 61% are being paid on time. This is a slight improvement since progress was reported back in June. This is still below the overall target set for all supplier payments as detailed in **Appendix 1**. 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 There was a marked drop in performance in August. This can be attributed in part to a problem with the invoice scanning system and resulted in the inability to process invoices electronically over a 4 day period. Just being unable to scan large volumes of invoices for a short period of time can have a detrimental effect on payments being made on time. However there was a marked improvement with 82% being paid within 21 days in September.

#### 4.4 **Why are invoices paid late?**

The reasons for late payments remain the same as reported back in June.

- 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 center manager.

#### 4.5 **What are we doing to improve performance?**

Work continues to identify 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 suppliers can assist in this:

- 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

We have escalated the reporting of invoices sent to the BSC late by providing all directors with a monthly report identifying these and asking directors to ensure staff are reminded of their responsibility. This has been positively received by directors.

### 5. **Additional performance data**

**Appendix 2** shows the total volume of all payments made each month over the past 4 financial years

**Appendix 3** shows the total value of payments made each month over the past 4 financial years.

**6. Finance Implications**

There are no significant financial implications arising from 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*

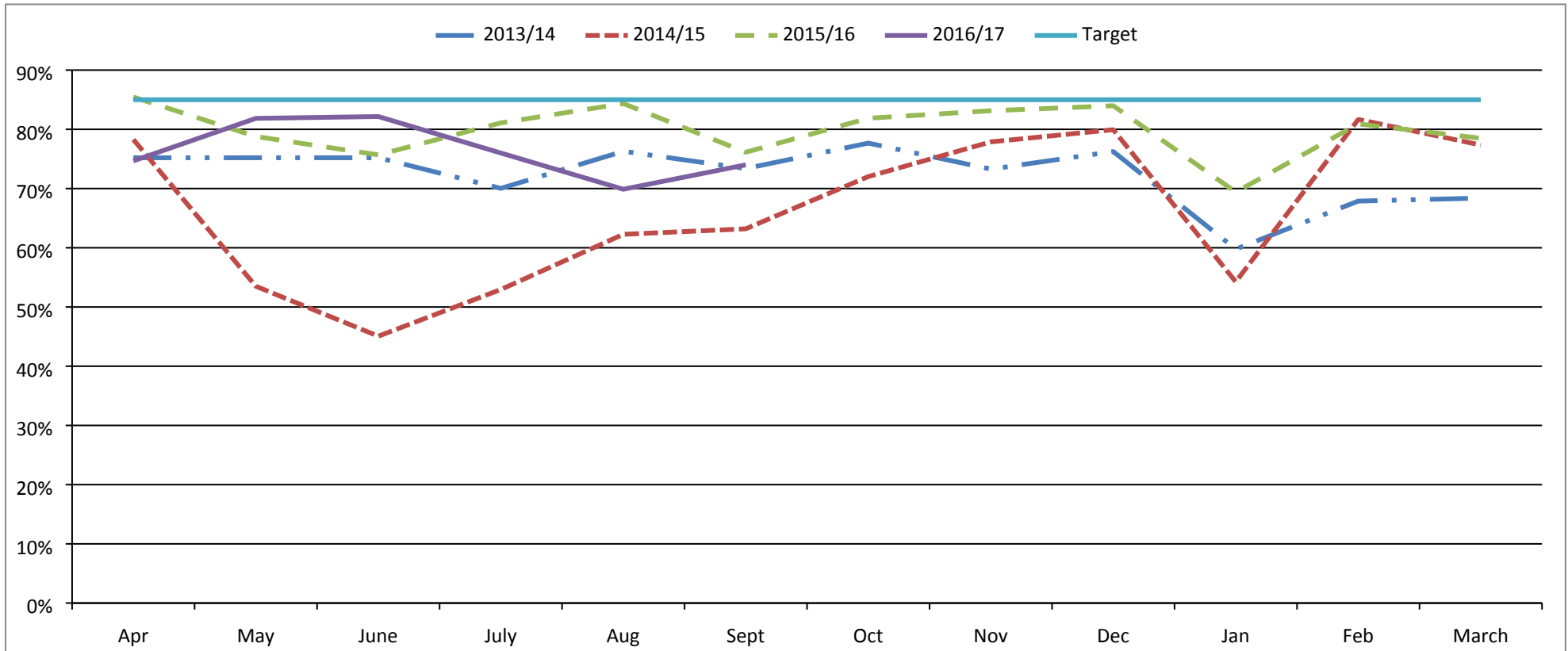
**8. Report Author/Officer to contact:**

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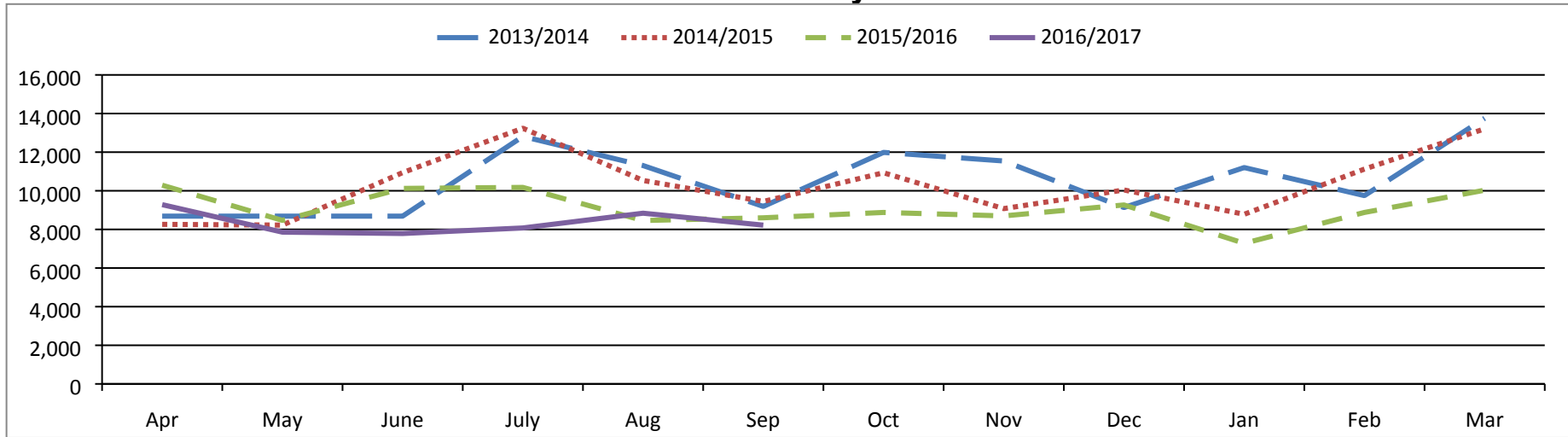
# Appendix 1

## Percentage of all Invoices Paid on Time



**Appendix 2**

**Volume of Payments**



**Appendix 3**

**Value of Payments**

