

Committee(s)	Dated:
Procurement Sub Committee	16 January 2019
Subject: Update on Plan to Improve 10-Day Payment Performance	Public
Report of: The Chamberlain	For Information
Report author: Chris Bell, Commercial Director, Chamberlain's	

Summary

The report updates Members on City Procurement's plan to improve 10-day payment performance, which mainly relates to the payment of invoices from small and medium-sized enterprises (SMEs). Since the action plan was produced we have seen a positive impact with 10-day payment performance increasing from 84% in October to 91% in November. The body of the report discusses the various actions taken to date.

Members are asked to:

Note the plan and updates.

Main Report **Background**

1. The Accounts Payable (AP) function within City Procurement has a target to pay 85% of invoices from SMEs within 10 days of receiving each invoice. The target was reduced to 85% from 88% at the start of the current financial year, as the 88% target had proved unachievable during the previous 24 months, due to a number of challenges. Having not been able to meet the 85% target in the first half of this year, an action plan was drawn up to improve the 10-day payment performance and presented to the Procurement Sub Committee in November 2018. It was decided at that committee meeting that from November 2018 the 10-day payment performance would be based on working days rather than calendar days.

Updates on Action Plan

2. Updates on the action plan are as follows:
 - i. Set up rules in AP mailbox to prioritise SME invoices – Rules for 30 suppliers were set up initially, but since September rules for a further 30 suppliers have been added. The selection of suppliers was based on invoice volumes and frequency of late payments. It has been decided by AP management that no further rules will be applied, because the low volume of invoices received from each of the other SMEs means that the benefits of setting up rules for them are minimal and do not justify the work involved, so this action is complete.
 - ii. Add the SME flag to the Expected Receipts report – Having discussed this further with the Oracle Team, we will not be adding the SME flag to

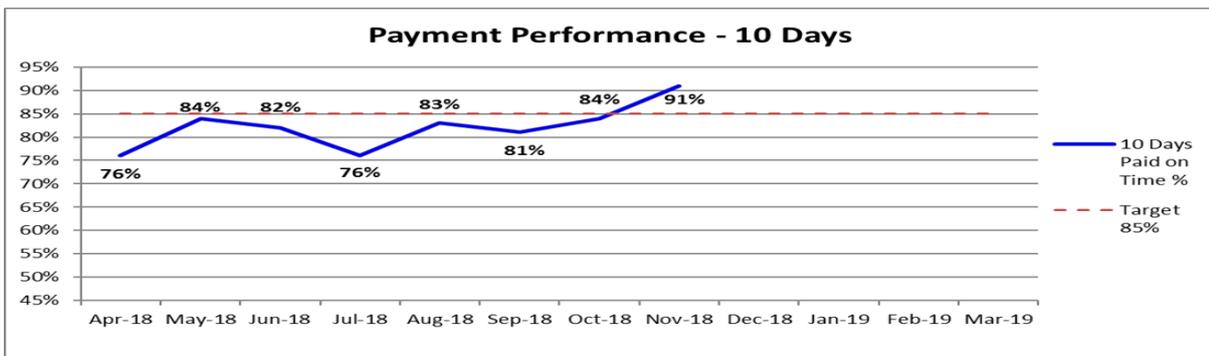
the Expected Receipts report, and instead it will be added to the Invoices on Hold report as per the next point. This action is now closed.

- iii. Give priority to SME invoices when chasing invoices on hold – To assist with invoice holds chasing, and to help prioritise SME invoices on hold, the SME flag will be added to the Invoices on Hold report. A system development is required, and this has been added to the City Procurement workplan, which should hopefully see the SME flag added to the Invoices on Hold report in early 2019.
- iv. Email all staff who receive confirm receipt notifications – An email was issued on 21 November 2018 to Oracle users who could receive a confirm receipt notification, reminding them of the importance of receipting purchase orders (POs) in a timely manner. This action is now complete.
- v. Email all departmental business managers (invoices directly to AP) – An email was issued on 19 December 2018 reminding Business Managers of the importance of sending invoices directly to AP by email. This action is now complete.
- vi. Continue working to eradicate paper invoices – Action is ongoing and over 92% of incoming invoices are now received in an electronic format, i.e. by email, via an interface or through our electronic portal.
- vii. Target low performing departments – Following significant improvement in the 10-day payment performance, we are targeting only those Departments which are performing worst against the target to pay 97% of all undisputed invoices within 30 days. We expect 10-day performance to benefit from this action as well, because invoices from SMEs are included in the 30-day target for all suppliers. The City of London Police are a key target given their ongoing operational finance performance issues.

Results of the Action Plan

- 3. Because of the actions taken above and the agreement in the last Procurement Sub Committee to change the basis of 10-day payment performance to working days rather than calendar days, we have seen a significant improvement. An increase from 81% in September to 84% in October, just short of the 85% target, appears to be attributable to the new AP mailbox rules. With the additional change from calendar to working days in November, a further increase from 84% in October to 91% in November was achieved.

Figure A – 10-Day SME Payment Performance trend report (Target 85%)



Comparison with other London Boroughs

4. Analysis of other London Boroughs' payment performance was undertaken, as it is a legal requirement under Regulation 113 of The Public Contracts Regulations 2015 to publish payment performance for 30-day invoices, to see how the City Corporation compares with other Local Authorities in Greater London. In many cases it proved difficult to obtain the relevant information from other London boroughs' webpages, however for those that did publish their payment performance as required, it was clear that with an average of 80% in 2017/18 (see Appendix 2) they were failing to meet the high standards set by the City Corporation.
5. It is not a requirement to publish 10-day payment performance and so we could not see how other Local Authorities are performing in comparison to the City Corporation in this respect. Indeed, it could not be determined whether other London boroughs were even aiming to pay SME invoices earlier than the standard 30 days. However, we could see that the 30-day payment performance of some Local Authorities could not match our 10-day payment performance. For example, in 2016/17 the City Corporation achieved 85% for 10-day invoice payments, compared to Southwark Council's 64% and Lewisham Council's 67% for 30-day invoice payments.

Conclusion

6. With most of the action plan now completed, and the move from calendar days to working days for 10-day invoice payments, we have witnessed a significant improvement in the figures and having exceeded the 85% target in November, we fully expect to repeat this each month for the remainder of the current financial year. Compared to other Local Authorities within London, the City Corporation appears to be leading the way, not only in terms of paying SMEs within 10 days, but also with regard to paying all suppliers within 30 days. We will complete the remaining tasks on the action plan and provide a further update to February's Committee.

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Appendices

Appendix 1

10 Days paid on time			
Department	Total No. of Invoices	No. of Invoices Paid Late	% of Invoices Paid on Time
DCCS - Libraries (CSL)	7	0	100%
Mansion House (MAN)	57	0	100%
Occupational Health (TCO)	1	0	100%
Remembrancer's (REM)	45	0	100%
Spitalfields Market (MSP)	92	0	100%
CoL School for Boys (CLS)	69	1	99%
Tower Bridge (TBR)	117	3	97%
Guildhall School (GSM)	368	11	97%
DCCS - Adult Services (CSA)	79	4	95%
Learning & Development (TCT)	16	1	94%
Barbican Centre (BBC)	729	48	93%
Sir John Cass School (CSJ)	60	4	93%
Billingsgate Market (MBG)	36	3	92%
Central Criminal Court (CCC)	12	1	92%
CoL School for Girls (CLG)	107	9	92%
DCCS - Families & Young People (CSF)	56	5	91%
CoL Freeman's School (CLF)	106	10	91%
Town Clerk's (TCK)	142	14	90%
Open Spaces (OSD)	231	23	90%
Economic Development (TCU)	37	4	89%
Chamberlain's (CHA)	55	6	89%
City Surveyor's (SVY)	311	36	88%
Comptroller & City Solicitor's (SOL)	31	4	87%
DCCS - Housing (CSH)	243	32	87%
Built Environment (ENV)	82	11	87%
London Central Markets (MCM)	28	4	86%
Markets & Consumer Protection (MKT)	72	11	85%
City Bridge Trust (TCB)	6	1	83%
DCCS - Barbican Estate (CSB)	116	20	83%
City of London Police (POL)	206	68	67%
Total	3,517	334	91%

Appendix 2

	FY 2015/16	FY 2016/17	FY 2017/18
<i>City of London - 30 Days</i>	96%	97%	95%
<i>City of London - 10 Days</i>	87%	85%	76%
Published data for other London Local Authorities - 30 Days:			
Hillingdon Council	Unavailable	93%	94%
Haringey Council	Unavailable	89%	90%
Croydon Council	85%	88%	87%
Lewisham Council	Unavailable	67%	81%
Southwark Council	66%	64%	65%
London Borough of Hounslow	Unavailable	Unavailable	63%
London Borough of Newham	Unavailable	82%	Unavailable
Royal Borough of Greenwich	91%	92%	Unavailable