

7 July 2014

Creditor Payment Performance 2013/14

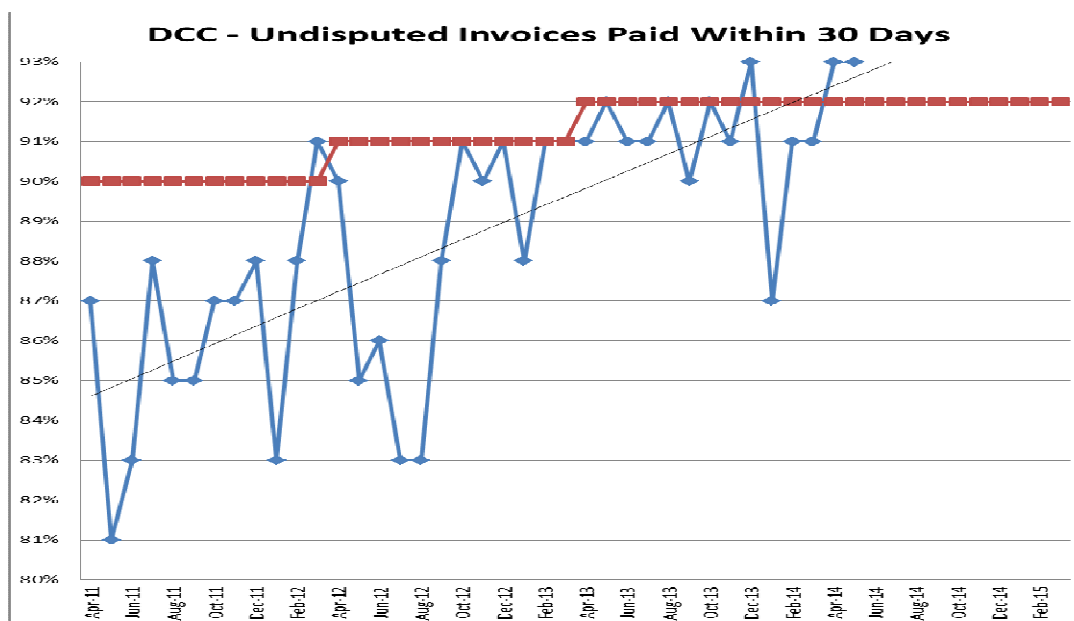
Paul Darby, Head of Finance – Financial Services

Purpose of the Report

- 1 To present an overview of Creditors payment performance for 2013/14 and actions being undertaken to improve performance.

Background

2. The Council set a performance target to pay 92% of undisputed creditor invoices within 30 days from the date of invoice. The target in 2013/14 was 1% point higher than the 2012/13 target, despite the Council only achieving the previous 91% target in three months in 2012/13. The 92% target has been retained in 2014/15.
3. Whilst the creditor performance has been improving over the last two years, with less volatility in terms of variances in month to month performance, overall creditor payment performance for 2013/14 was only 90.47%.
4. Month to month performance during 2013/14 was at or around 91% throughout 2013/14 (see graph below) but the overall annual performance figure was impacted by poor performance during January when the corporate performance only achieved 87%. There were a number of reasons for this, including both the Council's and suppliers shut down over the Christmas period and the consequent catching up of outstanding work items in January.



Context - Current performance

5. The Creditors Team, supported by an Invoice Payments Improvement Group, chaired by the Head of Finance (Financial Services), have focused on consolidating and reducing the volumes through the use of payment cards and consolidation of invoices over the last two years as well as developing the corporate systems and procedures.
6. The Oracle E-Business Suite, introduced in 2008, is the system used to make the creditors payments. At the time of the introduction of the system, scanning and limited Optical Character reading (OCR) functionality was adopted enabling matching of single-line purchase orders only.
7. Since that date there have a number of upgrades to the system including enhancements to the OCR functionality to enable multi-line purchase order matching, automatic import of emailed invoices into the system and the ability undertake specified amendments within the system resulting in a more efficient end-to-end process.
8. The most recent upgrade to the system (November 2013) has proved problematic, owing to poorer response times from the system. This was compounded by templates not being kept up to date to allow the OCR system to function effectively.

Actions taken to improve performance

9. An action plan, developed in partnership with ICT and our software supplier, Patech, was agreed with specific actions which are closely monitored, including:
 - A new server was installed w/c 10 February 2014.
 - The role of 'template champion' and a 'template team' has been established. 4 members of the Accounts Payable (AP) staff were trained on 19 March 2014 on the creation and amendment / maintenance of supplier invoice templates.
 - Improved workflow / work queues and individual performance monitoring arrangements within the central creditors team
10. The Central Creditors team is now responsible for the maintenance and creation of all templates used for OCR matching and automation. The team is also responsible for proactively engaging with suppliers to ensure where possible invoices and templates can be matched. The top 20 suppliers have been reviewed and early indications suggest that approximately 30% of invoices are now being auto-matched (previously it was estimated this was approximately 10%). Work is continuing to further develop additional templates.

11. Additional resources have been targeted to address any backlog in invoices awaiting payment. This has proved successful is driving up performance, which was 91% in both February and March and 93% for April and May 2014.
12. New ways of working have been introduced. A telephone Rota has also been established to better manage enquiries from suppliers. All calls are diverted to a small team allowing the remainder of the team to work uninterrupted.
13. The monthly Invoice Payment Improvement Group Meetings include representatives from each service to discuss developments, processes changes and system enhancements in order to improve performance across the Council. In addition to this meeting AP Supervisors are holding monthly meetings with each service area to discuss developments which are specific to their service.
14. Implementation of Oracle Business Intelligence (BI) has allowed the development of up to date dash-boards on a daily basis. These dashboards have allowed AP staff and service representatives to adopt a proactive approach to prioritising invoice payments and identify corrective actions to prevent invoice payments becoming late. Whilst also identifying late payment trends.
15. A review of the date of receipt of invoices and the date of the invoice has indicated that a number of suppliers print invoices early in the month but do not send them until later on the month. Informal discussions have been held with key suppliers to improve their internal processes, including prompt issuing of invoices.

Continuing actions

16. System response times continue to be an ongoing issue. Patech have acknowledged that system performance is should be better and are currently undertaking investigations in order to improve this area.
17. The service is working with ICT, Patech and Internal Audit. A full business process review is to be undertaken across the summer. The purpose of the review is to ensure that the system is being properly utilised and that work is undertaken in the most appropriate module of the system and to challenge existing process, procedure and culture and redesign as appropriate.
18. Ongoing development and roll out of Oracle Business Intelligence module, which provides real time performance analytics thereby allowing the team to address any performance issues straight away.
19. Upgrading the current Oracle system to Version 12 is underway with a planned implementation date of 28 July 2014. Although the initial upgrade is a 'lift and shift', the upgrade does offer additional functionality and modules including iSupplier and enhanced workflow functionality, which would have a beneficial impact on payment performance and this will be prioritised post implementation of R12.

20. As noted above, the actions taken over the last few months appear to be proving successful, with these measures and the input of additional resources, performance in the first two months of 2014/15 has recovered to 93%.

Conclusion

21. Performance has improved but there is still work to be done in order to maintain the current performance levels.
22. Payment performance will continue to be closely monitored and resources employed accordingly.
23. The service will continue to work with ICT, Patech and internal audit to deliver a robust and efficient system which will consistently meet the required performance levels
24. The Invoice Payment Improvement Group and individual Service meetings will continue and any developments identified as part of the above meetings will be fully considered and agreed development will be implemented and monitored.

Recommendations

25. Members are asked to note the report and the progress made in relation to payment of undisputed invoices to suppliers within 30 days.

Contact: Ian Ferguson

Tel: 03000 260419

Appendix 1: Implications

Finance – None. Re-prioritising of existing resources has allowed additional support and capacity to be provided to ensure performance is improved.

Staffing – Staffing levels will remain at current levels until system performance issues are addressed and the end to end process review is completed and any outcomes implemented.

Risk – If work with ICT, Patech and internal audit fails to deliver a robust and efficient system and processes, performance may not be maintained if resources are allocated elsewhere within the service. This could lead to a loss of reputation with suppliers. However, by closely monitoring performance utilising and prioritising existing resources any associated risk will be quickly identified and addressed.

Equality and Diversity - none

Accommodation – Not Applicable

Crime and Disorder – Not applicable

Human Rights – Not Applicable

Consultation – Not Applicable

Procurement - None

Disability - None

Legal Implications - None