

OFFICE OF THE POLICE & CRIME COMMISSIONER

OFFICE OF CHIEF CONSTABLE

TITLE:	Key Performance Indicators
DATE:	7th June 2018
TIMING:	Routine
PURPOSE:	For monitoring
1.	<u>RECOMMENDATION</u>
1.1	The finance Key Performance Indicators (KPIs) are provided for monitoring.
2.	<u>INTRODUCTION & BACKGROUND</u>
2.1	This report presents a set of KPIs as at 31 March 2018. The comparative figures are as presented to the Joint Audit Committee (JAC) in December 2017.
3.	<u>ISSUES FOR CONSIDERATION</u>
3.1	<u>Performance Against Budget</u>
3.1.1	In order to avoid duplication of effort, this KPI is no longer reported, as a comprehensive analysis is already provided in the Financial Performance Report.
3.2	<u>Current and Quick Ratios</u>
3.2.1	These ratios assess the liquidity of the Police and Crime Commissioner for Gwent (Commissioner), i.e. the amount of cash or other current assets such as short term investments that are readily convertible to cash to settle short term liabilities such as trade creditors. Both ratios should be greater than 1.0.
3.2.2	The PCC's Current Ratio as at 31 st March 2018 was: $\frac{\text{Current Assets}}{\text{Current Liabilities}} = \frac{\pounds 66.59\text{m}}{\pounds 16.36\text{m}} = 4.07$ At 31 st October 2017 the figure was: $\frac{\text{Current Assets}}{\text{Current Liabilities}} = \frac{\pounds 78.9\text{m}}{\pounds 13.5\text{m}} = 5.84$
3.2.3	The PCC's Quick Ratio as at 31 st March 2018 was: $\frac{\text{Current Assets} - \text{Stock}}{\text{Current Liabilities}} = \frac{\pounds 66.19\text{m}}{\pounds 16.36\text{m}} = 4.05$ At 31 st October 2017 the figure was: $\frac{\text{Current Assets} - \text{Stock}}{\text{Current Liabilities}} = \frac{\pounds 78.4\text{m}}{\pounds 13.5\text{m}} = 5.81$

3.2.4	Both the current and quick ratios are well above 1.0. This reflects the fact that the Commissioner has significant cash backed earmarked reserves set aside for specific purposes such as the replacement of Police Headquarters. The Commissioner therefore has a healthy liquidity position.
3.2.5	The Commissioner's current and quick ratios are also compared with those of our most similar Forces, to provide some context for this KPI. These comparators are shown in Appendix 1. The ratios were calculated from information contained in their respective, published 2016/17 Statement of Accounts. The Commissioner also has the highest current ratio amongst the Forces.
3.2.6	At the 31 st March 2018 the Commissioner had £44.0m invested in fixed rate deposits maturing between 1 and 364 days, £7m invested in Money Market Funds (MMFs) and a further £4.5m invested in a high interest Business Savings account. Both MMFs and the Business Savings Accounts allow instant access to funds.
3.3	<u>Reserves as a percentage of Budget Requirement</u>
3.3.1	This KPI looks at the level of cash backed reserves that could be used to help ease any short term cash flow problems. Conversely, it also determines whether reserves are being held to mitigate against financial risk.
3.3.2	As at 31 st March 2018 the Commissioner's reserves as a percentage of the Revenue Budget Requirement for 2018/19 were: $\frac{\text{Reserves}}{\text{BR}} \times 100\% = \frac{\text{£49.49m}}{\text{£123.52m}} \times 100\% = 40.06\%$ <p>The reserve balance above reflects general and earmarked reserve balances including capital and PFI sinking funds. It excludes statutory reserves. The budget requirement reflects the 2018/19 approved revenue budget of the Commissioner.</p>
3.3.3	The Commissioner has a significant level of reserves set aside but with the exception of the general reserve (£8.38m) these reserves are set aside for specific purposes including the replacement of Police Headquarters.
3.3.4	Budget Requirement as a percentage of reserves is compared with the most similar Forces in Appendix 2. The Commissioner has the highest ratio of reserves to Budget Requirement amongst the comparator Forces. The comparator Force positions were calculated from information contained in their respective published 2016/17 Statement of Accounts.
3.4	<u>Purchasing Card Compliance</u>
3.4.1	Between 1 st November 2017 and 31 st March 2018 expenditure incurred using Force purchasing cards totalled £161,458.86. A total of 1,192 transactions were conducted over this period with an average transaction value of £149.77. Operational and non-operational equipment purchased accounted for 17% of expenditure for the period, followed by accommodation 14%, stationary 8% and transportation (rail, underground, taxis, bus, airline) 19%, with 42% being classified as other, ungrouped expenditure. During the period there were 66 active cards in circulation.
3.5	<u>Creditor Days</u>

3.5.1 Table 1 provides an analysis of the length of time the Commissioner has taken to pay creditors between 1st November 2017 and 31st March 2018.

Table 1 : Creditor Payment Days

Payment Method	Number of Days from Invoice Date to Payment Date	
	Actual	Industry Standard
Purchase Order Invoices	40.27	30
Non Purchase Order Invoices	76.69	30
Combined Average	70.21	30

Purchase order invoices make up 7.81% of total invoice payments in the period.

3.5.2 The majority of creditors offer terms of approximately 30 days. The average time it took to pay suppliers during the above period was 70.21 days.

This is an increase from 49.3 days, reported for the period 1st April 2017 to the 31st October 2017. Appendix 3 provides a rolling 12 month analysis of Creditor Payment dates.

3.5.3 Purchase Order (PO) invoices creditor payment days (40.27) is still higher than the industry standard. However this is a decrease on the figure reported in December 2017 (52.41). The reasons for the decrease is due to the new automated process of requisition to purchase order e-workflow in BW.

With the implementation of the “No PO No Pay” process in 2018/19 will enable a decrease in the payment days.

3.5.4 PO invoices account for only 7.81% of total invoices paid during the period 1st November 2017 to 31st March 2018. For the last report for 1st April 2017 to 31st October 2017 the comparator was 4.12%. The deteriorating position is due to the impact of system implementation and a backlog that was created due to system migration and subsequent work flow technical issues. In the main these have now been resolved. Coupled with the implementation of a new Scheme of Delegation, more structured controls and reporting in the P2P team which will create improvements to payment terms.

In addition, the introduction of a “No PO No Pay” Process scheduled for a phased implementation in Q2, will facilitate an increase in the number of invoices supported by a Purchase order which in turn will further improve the creditor payment days.

As part of the transition to the policy contact will be made with all suppliers to ensure up-to-date details are held within the system.

3.5.5 The percentage of invoices paid within 30 days during the following rolling 6 month period were:

Report Date:	%
31 st March 2018	43

	31 st October 2017	67																					
	31 st March 2017	82																					
3.5.6	Appendix 3 provides the number of invoices paid per month. The drop in volume of invoices processed and an increase in days to pay was due to the introduction of BW, staff training and annual leave. The graph shows improvement in March 2018 as a result of the new Scheme of Delegation and year end processes.																						
3.5.7	<p>The force monitors performance against the Government Procurement Policy Note (PPN) and the requirement for the Commissioner to publish online the following statistics;</p> <ol style="list-style-type: none"> 1) % of invoices paid within 30 days; and 2) The amount of interest paid to suppliers due to late payment. <p>Performance for the financial year 2017/18 as noted in 3.5.5 above has been published the Commissioner's website and the Commissioner will continue to meet this reporting requirement on an annual basis.</p>																						
3.6	<u>Debtors Analysis</u>																						
3.6.1	<p>Table 2 provides a comparative analysis of the Commissioner's outstanding debts as at 31st March 2018. A breakdown of the individual outstanding debts is shown at Appendix 4.</p> <p><u>Table 2 : PCC's Analysis of Outstanding Debts as at 31st March 2018</u></p> <table border="1"> <thead> <tr> <th></th> <th>Not yet due £</th> <th>1 to 3 Months £</th> <th>3 to 6 Months £</th> <th>6 to 12 Months £</th> <th>> 12 Months £</th> <th>Total £</th> </tr> </thead> <tbody> <tr> <td>As at 31st March 2018</td> <td>915,339</td> <td>158,146</td> <td>570,449</td> <td>842,910</td> <td>463,948</td> <td>2,950,795</td> </tr> <tr> <td>As at 30th October 2017</td> <td>0</td> <td>0</td> <td>1,573,901</td> <td>334,803</td> <td>163,026</td> <td>2,071,731</td> </tr> </tbody> </table>			Not yet due £	1 to 3 Months £	3 to 6 Months £	6 to 12 Months £	> 12 Months £	Total £	As at 31 st March 2018	915,339	158,146	570,449	842,910	463,948	2,950,795	As at 30 th October 2017	0	0	1,573,901	334,803	163,026	2,071,731
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3.6.2	In the not yet due and the 1 to 3 month category there is £375,857 due from South Wales Police.																						
3.6.3	In the 3 to 6 month category there is £244,498 due from Dyfed Powys Police.																						
3.6.4	In the 6 to 12 month category there is a further £296,833 owing from South Wales Police and £35,557 owed from HMIC.																						
3.6.5	In the over 12 month category there is £131,750.00 due from National Probation Service.																						
3.6.6	<p>The target for debt collection period is 14 days however normal practice is for creditors to pay within 30 days.</p> <p>The analysis shows that debtor's ageing continues to be of concern, albeit the total value of debtors due has decreased since the previous report.</p> <p>A contributory factor to the increase in debtor days and ageing are significant changes in the team structure and long term sickness. The team's focus has</p>																						

	<p>been on learning and resolving teething issues the new finance system. Trying to reduce the resulting increases in creditor payment days has been prioritised over the chasing of debts.</p> <p>The relevant structure is now in place within Finance to allow for the timely monitoring and chasing of debtors. A specific role has been assigned within the team and a monthly review of the position will be undertaken with the Head of Finance.</p> <p>As noted in sections 3.6.2-3.6.5, the majority of the debtor's balances are with large public sector organisations with whom we have good relationships and the invoice values are not in question. Therefore the recovery of the debt is not considered a significant risk.</p>
3.7	<u>Write-Offs</u>
3.7.1	There were no write offs proposed within the June 2018 JAC report.
3.7.2	Within the October 2017 report and as part of the finalisation of the WITS balances it was proposed that all debts that are in excess of 12 months old at time of transfer of the service to Cardiff City Council (CCC) are written off. The value of these debts amounted to £3,111.31. These debts were written off as part of the finalisation of the transfer to CCC.
4.	<u>NEXT STEPS</u>
4.1	<p>The Service Level Agreements and specific operational KPI's that have been recently implemented will be reviewed on a monthly basis and improvements in payment and processing times will continue to be a focus for the Head of Finance. Additional training will be provided, where required, to users of the system to support the implementation of the PO policy.</p> <p>KPI's will continue to be developed and monitored and will be reported again to JAC members in October 2018.</p>
5.	<u>FINANCIAL CONSIDERATIONS</u>
5.1	As detailed in the main body of this report.
6.	<u>PERSONNEL CONSIDERATIONS</u>
6.1	None.
7.	<u>LEGAL IMPLICATIONS</u>
7.1	None.
8.	<u>EQUALITIES AND HUMAN RIGHTS CONSIDERATIONS</u>
8.1	This report has been considered against the general duty to promote equality, as stipulated under the Strategic Equality Plan and has been assessed not to discriminate against any particular group.
8.2	In preparing this report, consideration has been given to requirements of the Articles contained in the European Convention on Human Rights and the Human Rights Act 1998.
9.	<u>RISK</u>
9.1	As detailed in report.

10.	<u>PUBLIC INTEREST</u>
10.1	This is a public document.
11.	<u>CONTACT OFFICER</u>
11.1	Rosanna Davies Assistant Accountant. Lorna Virgo, Head of Finance.
12.	<u>APPENDICES</u>
12.1	<p>1. Most similar forces – Current Ratios as at 31st March 2018</p>  <p>JAC June 2018 Appendix 1 Convert:</p> <p>2. Most similar forces - Reserves as % of BR at 31st March 2018</p>  <p>JAC June 2018 Appendix 2 (2) Conv</p> <p>3. Days to Pay Suppliers & No of invoices Paid</p>  <p>JAC June 2018 Appendix 3 Convert:</p>