



Northern Ireland
Assembly

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Prompt payments: Education

Summary

Background

Legislation aiming to speed up the payment of invoices to businesses gives suppliers a statutory right to claim interest on late payments of debt. This is defined as payment made outside the agreed terms or 30 days after receipt of a valid invoice. In addition, NI policy requires all Departments and non-departmental public bodies to pay suppliers, where possible, within ten working days of receiving an invoice.

Performance of education bodies

A recent report by the Comptroller and Auditor General found that the Department of Education had generally good prompt payment performance, with 98% of invoices paid within the 30 day target and 93% within the ten day target in 2011/12.

However, the report found that while ELB performance in meeting the 30 day target had improved, it remained behind other sectors, with an average of 85% of invoices paid within this timeframe in 2011/12. ELB performance in regard to meeting the ten day target was described as *'disappointing'*, with around half of ELB invoices not paid within this period between 2010 and 2012, amounting to over half a million valid invoices.

Issues around prompt payment at the ELBs

The Department has highlighted a number of issues that may have an impact on the ability of ELBs to meet prompt payment targets. These include the higher numbers of invoices processed by ELBs compared to Government Departments; and school-level issues around a lack of administrative support and payment difficulties during school holidays.

Nonetheless, the Comptroller and Auditor General noted that the five Health and Social Care Trusts performed better than the ELBs in 2007-2008, despite having greater expenditure and similar difficulties around separation of payment processes. The Department undertook a number of actions to address the issues highlighted, including implementing revised internal targets; a working group; and guidance to schools.

Current recommendations

The Comptroller and Auditor General has recommended that the Department should further consider how to improve prompt payment performance. He has stated that the ELBs' internal target of paying 50% of invoices within ten days is not sufficiently challenging.

Conclusion

Areas for consideration in light of these findings could include:

- Issues around prompt payment performance at school-level, including the limited administrative support in some schools and issues around payment processing during the school holidays;
- How the ELBs/ESA plan to meet the internal target of paying 97% of valid invoices within 30 days;
- The finding of the Comptroller and Auditor General that the ELB internal target of paying 50% of invoices in ten working days is not adequately challenging;
- The variation in prompt payment performance across individual ELBs, for example, in terms of whether good practice is being shared.

1 Requirements around prompt payment

The Department of Education (the Department) and its Arm's Length Bodies, like other public sector organisations, are required to pay invoices promptly.

Legislation

The legislation, the Late Payment of Commercial Debts (Interest) Act 1988 as amended by the Late Payment of Commercial Debt Regulations 2002, gives suppliers a statutory right to claim interest on late payments of commercial debt. A late payment

is defined as being made outside the agreed terms, or 30 days after receipt of a valid invoice where no terms are agreed.

Policy

However, in 2008 the Finance Minister, Nigel Dodds MLA, set a new target, requiring all Departments, agencies and non-departmental public bodies to pay suppliers (where possible) within ten working days of receiving a valid invoice. This aimed to speed up the payments process and support the cash flow of businesses.¹

In addition, the Department of Education states that it is committed to the Better Payments Practice Code, along with all of the Department's arm's length bodies.²

The Better Payment Practice Code

This Code aims to encourage organisations to adopt a responsible attitude to paying on time. The four point code requires businesses to promise to:

- Agree payment terms at the outset of a deal and stick to them;
- Explain payment procedures to suppliers;
- Pay bills in accordance with any contract agreed with the supplier or as required by law; and
- Tell suppliers without delay when an invoice is contested, and settle disputes quickly.

Source: The Better Payment Practice Group *Better Payment Practice*

2 Previous findings

A report by the Northern Ireland Audit Office (NIAO) for 2007-2008 noted good performance in terms of meeting the 30 day target by the Department, but highlighted '*poor performance*' from the ELBs. Performance ranged from 80% of invoices paid promptly in BELB to 55% at SEELB. The other Boards achieved around 75%, with the report noting that this was '*well short*' of the 95% best practice target.³

The report warned that each of the Boards was vulnerable to claims for interest and compensation as a result of late payment. It states that while such payments had

¹ Comptroller and Auditor General (2012) *Financial Auditing and Reporting: General Report by the Comptroller and Auditor General for Northern Ireland* Belfast: The Stationery Office

² Information provided by the Department of Education, February 2013

³ Comptroller and Auditor General (2009) *Financial Auditing and Reporting 2007-2008: General Report by the Comptroller and Auditor General for Northern Ireland* Belfast: The Stationery Office

previously been relatively small (around a few hundred pounds), their value could increase given the economic climate.⁴

3 Department of Education performance

In 2011/12 the Department of Education paid 98% of invoices within the 30 day target, an increase from 95% in 2010/11. The average across Central Government Departments for payment of valid invoices was 97% in 2011-12.⁵

With regard to the ten day target, the Department paid 93% of invoices within this timeframe, an improvement of 11% on the previous year.

4 Education and Library Board performance

Context

Under Local Management of Schools arrangements schools may buy goods and services directly from suppliers. The suppliers then send invoices to schools for validation and authorisation for payment. The ELBs subsequently process the payments on the schools' behalf.⁶

The Department has stated that delays around the payment process at schools and youth organisations can have an impact on the ELBs' prompt payment performance. Issues which may contribute to the ability of ELBs to meet prompt payment targets include:⁷

- **ELBs paid around 85% more invoices** than Central Government Departments in 2011/12;
- **Small schools** can experience greater difficulties in processing payments over holiday periods;
- **Limited administrative support** available in schools and youth organisations;
- **Large schools often require a number of authorising signatories** (for example, delays may arise where deliveries and invoices are checked within an individual department before being forwarded to the main office for input);
- **Due to resource implications**, most ELBs operate one payment run per week.

⁴ Comptroller and Auditor General (2009) *Financial Auditing and Reporting 2007-2008: General Report by the Comptroller and Auditor General for Northern Ireland* Belfast: The Stationery Office

⁵ Comptroller and Auditor General (2012) *Financial Auditing and Reporting: General Report by the Comptroller and Auditor General for Northern Ireland* Belfast: The Stationery Office

⁶ Comptroller and Auditor General (2009) *Financial Auditing and Reporting 2007-2008: General Report by the Comptroller and Auditor General for Northern Ireland* Belfast: The Stationery Office

⁷ As above

However, the five Health and Social Care Trusts outperformed the ELBs in the 2007-2008 period; despite having much greater expenditure and similar issues around the physical separation of approvals and payments processes.⁸

Measures for improvement

A 2009 report noted that the Department intended to focus on this area in developing the Education and Skills Authority (ESA). The report highlighted a need to secure improvements so that the best practice target of 95% would be achieved before the establishment of ESA (then scheduled for 1st January 2010). Recommendations included setting more challenging targets for ELBs; continuing to analyse prompt payment information and taking follow-up action as required.⁹

The Comptroller and Auditor General's report for 2012 highlighted a number of actions that have been taken to address issues around prompt payments, including:¹⁰

- **Implementation of revised internal targets** for ELBs so that 97% of valid invoices are paid within 30 days, and to maximise payments within ten days;
- **Establishment of a Departmental-led working group** to consider how to improve performance;
- **Issue of guidance to schools** highlighting the need to speed up arrangements around provision of invoices to ELBs for payment;
- **Investigation of individual cases of late payment** with schools in an effort to improve performance.

The working group comprises representatives from the Department and the ELBs, and aims to review procedures, address issues and share best practice. The actions taken by the group include a review of the time taken to process invoices once received at the ELB payment centre and awareness raising around the need to make prompt payments.¹¹

The Comptroller and Auditor General has recommended that the Department give further consideration to how it can improve prompt payment performance.¹²

Recent findings - 30 day target

An NIAO report for 2011/12 highlighted improvements in meeting the 30 day target by the ELBs since 2007/08, while noting that the sector remains behind others. In 2011/12, the ELBs paid an average of 85% of valid invoices within 30 days, behind the

⁸ Comptroller and Auditor General (2009) *Financial Auditing and Reporting 2007-2008: General Report by the Comptroller and Auditor General for Northern Ireland* Belfast: The Stationery Office

⁹ As above

¹⁰ Comptroller and Auditor General (2012) *Financial Auditing and Reporting: General Report by the Comptroller and Auditor General for Northern Ireland* Belfast: The Stationery Office

¹¹ Correspondence from the Department of Education, November 2012

¹² Comptroller and Auditor General (2012) *Financial Auditing and Reporting: General Report by the Comptroller and Auditor General for Northern Ireland* Belfast: The Stationery Office

average for Central Government Departments but in line with the ELB internal target of 85%.¹³ Between April and December 2012 88% of invoices were paid within 30 days.¹⁴

Ten day target

However, ELBs did not make any progress in achieving the ten day target in 2011-12, with an average of 51% of invoices paid within ten days, compared to 89% of Central Government Departments. This equates to around 572,500 valid invoices over the two year period.¹⁵ Between April and December 2012 the figure declined to 49%.¹⁶

ELBs have an internal target to pay 50% of valid invoices within 10 days, however the Comptroller and Auditor General states that this target is not adequately challenging. It describes the performance of ELBs in meeting this target as '*disappointing*'.¹⁷

Table 1: Percentage of invoices paid within 30 and ten days in 2011/12 by ELB

ELB	% paid within 30 days	Change since 2010/11	% paid within 10 days	Change since 2010/11	Total invoices paid
SEELB	90%	Improvement of 4%	60%	Improvement of 11%	98,014
SELB	89%	Improvement of 1%	48%	No change	143,395
WELB	85%	Reduction of 1%	49%	Improvement of 1%	122,162
NEELB	83%	Reduction of 5%	58%	Reduction of 8%	123,894
BELB	81%	Reduction of 3%	42%	Reduction of 4%	78,977
Totals	86%	No change	51%	No change	566,422

Source: Comptroller and Auditor General (2012) *Financial Auditing and Reporting: General Report by the Comptroller and Auditor General for Northern Ireland*

¹³ Comptroller and Auditor General (2012) *Financial Auditing and Reporting: General Report by the Comptroller and Auditor General for Northern Ireland* Belfast: The Stationery Office

¹⁴ Department of Education *Prompt Payment Performance* [online] Available at: http://www.deni.gov.uk/ndpbs_prompt_payment_table_for_2012-2013.pdf

¹⁵ Comptroller and Auditor General (2012) *Financial Auditing and Reporting: General Report by the Comptroller and Auditor General for Northern Ireland* Belfast: The Stationery Office

¹⁶ Department of Education *Prompt Payment Performance* [online] Available at: http://www.deni.gov.uk/ndpbs_prompt_payment_table_for_2012-2013.pdf

¹⁷ Comptroller and Auditor General (2012) *Financial Auditing and Reporting: General Report by the Comptroller and Auditor General for Northern Ireland* Belfast: The Stationery Office

When established, ESA would take on the role of processing payments for schools that currently have their payments processed by the ELBs, as well as the non-departmental public bodies (NDPBs). The Department states that there are unlikely to be significant changes to the approach in the short-term, but that plans will be made to streamline the processes where possible in the longer-term.¹⁸

5 Performance of other Arm's Length Bodies

Table 2 provides an overview of the prompt payment performance of arm's length bodies in 2011/12.

Table 2: Percentage of invoices paid within 30 and ten days in 2011/12 by ALB

ELB	% paid within 30 days	% paid within 10 days	Total invoices paid
CCMS	100%	99%	1,375
CCEA	85%	74%	3,461
Comhairle na Gaelscolaíochta	88%	18%	332
General Teaching Council for Northern Ireland	100%	28%	550
Middletown Centre for Autism	96%	Not available	742
Northern Ireland Council for Integrated Education	100%	Not available	382
Staff Commission for Education and Library Boards	100%	100%	139
Youth Council for NI	100%	100%	894
Totals	96%	70%*	7,875

*CnaG and NICIE are not included as they did not keep records of their ten day performance prior to becoming NDPBs

Source: Department of Education *Prompt Payment Performance* [online] Available at http://www.deni.gov.uk/prompt_payment_tables_2011-2012.pdf and information provided by the Department of Education, February 2013

¹⁸ Information provided by the Department of Education, February 2013

6 Conclusion

This paper has highlighted a number of issues around the prompt payment of invoices across some of the Department's arm's length bodies. Areas for consideration in this regard could include:

- Issues around prompt payment performance at school-level, including the limited administrative support in some schools and issues around payment processing during the school holidays;
- How the ELBs/ESA plan to meet the internal target of paying 97% of valid invoices within 30 days;
- The finding of the Comptroller and Auditor General that the ELB internal target of paying 50% of invoices in ten working days is not adequately challenging;
- The variation in prompt payment performance across individual ELBs, for example, in terms of whether good practice is being shared.