

<h1>BRIEFING</h1>	<b>TO:</b>	Judith Badger Strategic Director Finance & Customer Services
	<b>DATE:</b>	20 <sup>th</sup> September 2022
	<b>LEAD OFFICER:</b>	Karen Middlebrook Head of Procurement; Finance & Customer Services 01709 334755  Rob Mahon Assistant Director – Financial Services; Finance & Customer Services 01709
	<b>TITLE:</b>	Faster Payments October 2022 – March 2023
<b>1. Background</b>		
<b>1.1</b>	Since April 2020 the Council has been adopting a range of principles and measures to provide supplier relief, particularly in relation to process payments earlier than the standard 30-day payment terms, where invoices can be reconciled. The aim of these measures has been to avoid supply chain collapse or significant financial implications for suppliers, which initially followed the best practice advice issued by Central Government at the start of the Covid-19 global pandemic.	
<b>1.2</b>	No further guidance has been issued from Central Government since October 2020 on the issue of supplier relief, but in recognition of needing to kick start the economy following the range of local lockdown measures brought about through Covid-19, coupled more recently with soaring energy prices and rising inflation the Council has taken localised decision to continue with the principles to support its supply chain.	
<b>1.3</b>	<p>These principles were agreed and set out within the following delegated decisions taken by the Strategic Director – Finance and Customer Services:</p> <ul style="list-style-type: none"> <li>- <a href="#">Decision - (FCS) COVID-19 - Payments and Support to Suppliers - Rotherham Council</a></li> <li>- <a href="#">Decision - (FCS) COVID-19 - PPN/04 20 Supplier Relief (Recovery and Transition) - Rotherham Council</a></li> <li>- <a href="#">Decision - (FCS) Supplier Relief Post October 2020 - Rotherham Council</a></li> <li>- <a href="#">Decision - (FCS) Supplier Relief / Faster Payment April - June 2021 - Rotherham Council</a></li> <li>- <a href="#">Decision - (FCS) Supplier Relief - Payment Arrangements - Rotherham Council</a></li> <li>- <a href="#">Decision - (F &amp; CS) Supplier Relief / Faster Payment October 2021 - March 2022 - Rotherham Council</a></li> <li>- <a href="#">Decision – (FCS) Supplier Relief -Faster Payment March 2022 – September 2022</a></li> </ul>	
<b>2. Key Issues</b>		

2.1	<p>Whilst it could be argued that supplier relief and faster payment mechanisms were originally introduced to support supply chains through the Covid-19 pandemic which has now started to settle, the market has not recovered or returned to life pre-pandemic levels. The market is now facing significant financial pressures resulting from the significant rise in inflation.</p>
2.2	<p>As of August 2022, the rate of inflation has risen by 10.1% compared to a year ago and is estimated to keep rising over the next few months to around 13%. There are a range of factors influencing the increasing level of inflation, one of the main reasons being as a consequence of Russia's invasion of Ukraine, which has led to an increase in the price of gas. In addition, the availability of materials has had a contributing effect, with demand outstripping supply and increased import costs resulting from the UK's exit from the EU has all led to higher prices being charged for the goods we buy.</p>
2.3	<p>Whilst it is forecast that inflation will keep rising this year, it is expected to slow down and be back close to the Bank of England's target of 2% within around 2 years, although it is expected that for some commodities, they may stay at a high level compared to prices previously paid. As such the true impact on the market is not fully known.</p>
2.4	<p>As the market grapples with the issues identified above, whilst maintaining contractually agreed pricing, it is essential that the Council continues to pay suppliers in as timely a manner as possible to help maintain their cashflow, which will help protect supply chain relationships and ultimately protect jobs.</p>
2.5	<p>It is proposed to continue with previously agreed arrangements as summarised below:</p> <ul style="list-style-type: none"> <li>- Make immediate payment to all suppliers on receipt of goods, works or services following a fully reconciled invoice</li> <li>- Procurement to enter receipts against orders on behalf of Services, where required (and receipt is confirmed) to ensure payments are processed promptly.</li> <li>- Service Areas to work with procurement to ensure disputed invoices are resolved as a matter of urgency</li> <li>- Encourage Service Areas to discuss with their suppliers an increased frequency of invoicing.</li> </ul> <p>The procurement team are targeting its approach to this activity to ensure that local suppliers and SMEs are the main beneficiaries.</p>
2.6	<p>The financial implications as a result of this activity are factored into the Council's treasury management budgets (paying early has cashflow implications for the Council), however these impacts are not considered to be significant.</p>
2.7	<p>It is important to note that this briefing note relates only to the payment of invoices. No contracts will be varied to amend the payment timescales in contracts, the Council will just be overperforming on its contractual obligations.</p>
2.8	<p>Where, as a result of the above issues other variations need to take place on contracts (i.e. additional costs) these will be subject to their own briefings and decisions and in such circumstances advice must be sought from legal, procurement and finance.</p>
<p><b>3. Key Actions and Timelines</b></p>	
3.1	<p>Agreement required to enable a delegated decision to be made to take effect from 1 October 2022 through to 31 March 2023 and during January 2023 a review of the</p>

	current position be undertaken to determine whether there is a need to continue such provisions or revert back to standard practice.
--	--------------------------------------------------------------------------------------------------------------------------------------

#### **4. Recommendations**

<b>4.1</b>	Due to the issues referred to in Section 2, it is recommended to continue with measures previously approved in relation to the immediate payment of invoices (including receipting, dealing with disputes and increased invoice frequency etc) to the end of March 2023.
------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------