

Schools Forum			
REPORT TITLE	Proposed Amendments to Schools Utility Payments		
KEY DECISION	Yes	Item No.	8
WARD	N/A		
CLASS	Part 1	Date	21 June 2018

1 Purpose of the Report

- 1.1 The purpose of this report is to seek Schools Forum agreement to a change in the way payments for schools' utilities (electricity/gas/water) are processed across the Council's corporate utility contracts, moving to centralised consolidated payments.

2 Recommendation

- 2.1 Schools Forum is recommended to agree that billing arrangements for schools using the Council's corporate utility contracts are processed by the Council's energy team and schools are then recharged through the Council financial system.

3 Background

- 3.1 Historically schools and third parties such as community organisations have joined the Council's corporate contracts and have paid their invoices independently, on receipt of a paper invoice.
- 3.2 This allows participating organisations to benefit from the increased purchasing power available through these contracts that are part of a London-wide public sector procurement initiative.
- 3.3 In the last few years there have been billing problems associated with suppliers implementing new software. This has resulted in disputes on invoicing that has led to a perception of debt by suppliers. Where this perception exists suppliers are able to impose late payment charges. Payment in advance of resolving debt issues has the significant benefit of avoiding these charges. Payment through a consolidated bill also offers opportunities to benefit from improved payment terms, as the costs for supplier are reduced.
- 3.4 As of February 2018 Corona's perception of debt (as yet unproven) for schools amounts to £13,064.39.

4 Impact

- 4.1 The impact of these systems failures have given rise to:
- Failure to issue invoices to the correct address
 - Inability to reconcile payments to invoices
 - Failure to issue electronic data to enable contract management
 - Changes in suppliers' electronic file format
- 4.2 Suppliers' information systems are highly automated, dealing with thousands of variables. There are often long lead in times for resolve debt cases due to:
- The length of communication chains
 - Flexibility of work patterns
 - Awaiting records from archives
 - Third parties settling some schools' accounts
 - Staff turnover/illness/annual leave
 - Competing priorities
 - Resource issues
 - Site tenure opacity
- 4.3 The above situation has led to a lot of officer time being spent on debt issues for schools and third party sites: contacting schools and interrogating the Council's financial system in an attempt to reconcile payments. The Council's energy team has also been hampered by inadequate invoice data from suppliers.
- 4.4 These difficulties can be compounded if full remittance data (Invoice Number, Amount Paid, Date Paid, and Account Paid to) is also not available.

5 The Proposal

- 5.1 The Council's energy team will instruct suppliers to merge all accounts to one single account that will then be paid via BACS and recharged to individual sites. This would allow the Council to use utility management software to validate billing and:
- Update database payment status in one step
 - Refute debt claims rapidly
 - Dispute missing invoices
 - Pro-actively target site specific invoicing histories
 - Access further cost savings

6 The benefits

- 6.1 In addition to financial benefit of using the Crown Commercial Services contracts for electricity and gas, the proposed change would offer a further saving of 4% off the energy cost component, which makes up approximately 48% of the delivered price (in other words approximately 2% of the overall cost, although this amount varies according to consumption).
- 6.2 The total estimated potential saving across the schools' portfolio for gas and electricity supplies is £40k. The average (median) saving is £470 but varies according to consumption, with nine schools register a reduction of under £100.

- 6.3 The 4% saving requires that the portfolio be settled within four days of receipt. In the current situation this potential saving is unattainable, given the communications limits outlined earlier.
- 6.4 Gaps in school data would disappear. Portfolio payments would help to ensure invoices are delivered on time as suppliers seek to ensure their payments.
- 6.5 Knowing the payment periods for each meter (monthly/quarterly) the energy team could then follow up on invoicing not delivered.
- 6.6 Reductions in Council officer and School Bursar/Business Manager time, as the energy team's access to settlement data for the portfolio will allow officers to quash debt queries far more rapidly than ever before.
- 6.7 Where schools engage third parties to settle their Utilities invoicing they may be in a position to reduce costs by allowing the council to do so.

7 Readiness

- 7.1 Corporate utility supplies are already paid through this method. The Council's energy team has successfully tested our utility management software against the newly implanted Oracle payment system. The corporate utility management software ensures full invoice transparency, recording not only the invoice number but also metering and consumption details as well as the required cost centre codes and financial data.
- 7.2 The energy team is also preparing to roll out the utility management 'Web Module' which will allow participants to view invoicing in Excel format, produce comparisons between financial years and monitor budget targets against spend across all utilities. This is expected to be tested and ready by the end of summer.
- 7.3 Business continuity arrangements are in place to anticipate IT failures with manual processes that can still allow us to meet the requirements for the payment discount. The utility management database is also 'backed up' on a daily basis. The third level of data safeguarding is via the web module where our data resides on supplier servers.
- 7.4 Those who have experienced utility debt disputes will know how time consuming it is to resolve the issues. Single portfolio payment would allow the energy team to have permanent access to full payment details of all participants; using the Council's payment system as well as the utility management database. This is an important point as suppliers can revisit invoicing at any point within the past six financial years plus the year in hand. When these situations arise re-billing takes place (statutory regulations require that invoicing reflects all changes known to the supplier); the worst case scenario allowing up to 83 invoice revisions which takes some time to unpick.

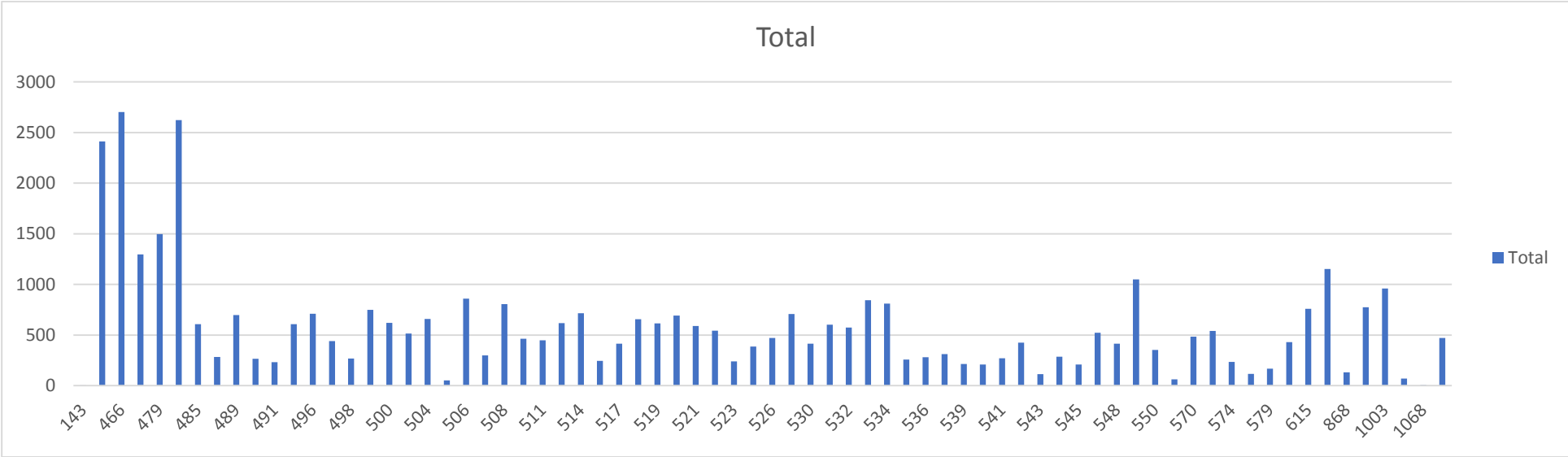
8 Conditions

- 8.1 In order for portfolio payment to work, all participants to the Crown Commercial Services utilities contracts need to accept that their invoicing will be settled by the Council and recharged to the schools via the Council finance system.
- 8.2 Where schools engage third parties to settle their utilities invoicing it may be possible to continue these arrangements, as long as those third parties commit to paying within four days and that remittance data be made available to the energy team. This will need to be discussed on a case by case basis.
- 8.3 If this new model is agreed by Schools Forum, individual schools unwilling to commit to the portfolio payment model will need to make their own arrangements for utilities supplies.
- 8.4 Schools will be asked to register their consent to the portfolio payment model, or otherwise, by the 30th of September 2018 using the Services for Schools web portal, where the terms and conditions of the SLA will be amended. After this the energy team will inform the Crown Commercial Services of those sites which no longer wish to continue with their contracts, allowing those schools to have new suppliers in place by April 2019.

9 Further Information

- 9.1 Should clarification or discussion of any points raised in this paper may be directed via email to EnergyHelpDesk@lewisham.gov.uk where we aim to answer all queries within three days.

Potential Savings (Gas and Electricity)



Savings are calculated using the following:

Supplier Price (quoted in Pence)
4% portfolio payment discount

Supplier Annual Quantity

Cost Element is 48% of Delivered Price

The calculation:

$$(((\text{Supplier Price} / 100) * 0.48) * \text{Supplier Annual Quantity}) * 0.04$$

