

INTRODUCTION

The Cabinet Office published Procurement Policy Note PPN 04/19 "Taking account of a supplier's approach to payment in the procurement of major contracts" on 23rd July 2019. Vital Energi has responded to this by reviewing payment practices in order to ensure we have effective payment systems for the reliability of the supply chain. We complete our published payment practice reports via the gov.uk website. When we first started doing this, we identified a gap between our performance and the required standards for public sector procurement. This gap is predominantly due to favourable payment terms with two high volume low value long term suppliers based on our historic track record and reputation for being reliable payers.

We implemented our action plan in 2020 and continue to implement changes. Our prompt payment practice performance has improved significantly since the action plan was put in place, with our performance increasing from 78% of invoices paid in 60 days in December 2020 to achieving 95% in June 2021. We continue to monitor our performance and report via the gov.uk website to ensure that we maintain this positive position. We have recently seen performance dip below 95% and continue to review, update and implement our action plan in line with the latest PPN (08/21). Our action plan ensures that we continue to improve our payment practices to ensure reliability in the supply chain, whilst also limiting the risk to our business and cashflow and these changes are contributing to ongoing improvements in the company's payment statistics: <https://check-payment-practices.service.gov.uk/company/04050190/reports>

ACTIONS REQUIRED

In order to reduce the time taken to pay invoices to our supply chain, and to ensure that invoices are paid on time, we:

1. Carried out a review in conjunction with PWC (Price Waterhouse Coopers) on our purchase to pay systems and procedures and we will continue to implement recommendations on an ongoing basis (such as OCR scanning technology) with a review to streamlining the payment process.
2. Review payment terms with all suppliers to ensure they are fair and appropriate.
3. Improved reporting of invoice status to identify any 'pain' points in the process.
4. Reduce payment terms with two key suppliers.
5. Review this plan every three months to check progress against actions and review as necessary.
6. Complete our returns to the gov.uk website for every six-month reporting period to demonstrate improvements made.

BOARD APPROVAL

This statement has been approved by our Chairman and CEO who will review and ensure it is updated twice per year.

**Gary Fielding**Chairman
Date: November 2021**Ian Whitelock**Chief Executive Officer
Date: November 2021The original signed copy of this document is retained by the SHEQ Department
Date Reviewed: 02 November 2021