

**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 23<sup>rd</sup> 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 91% in June 2022 as published. We continue to monitor our performance and report via the gov.uk website to ensure that we maintain our strong position. 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
2. We are actively working on process automation throughout the purchase to pay workstream
3. We have approached a number of suppliers with a view to implementing an automated accounts payable process
4. Review payment terms with all suppliers to ensure they are fair and appropriate
5. Improved reporting of invoice status to identify any 'pain' points in the process
6. Where delays to processing invoices are identified, these are investigated and, if appropriate and where possible, additional resources are added to the relevant team to assist in resolving the backlog
7. We continue to provide regular tool box talks and guidance to our staff where we have identified potential improvements
8. Payment statistics are reviewed at monthly Board meetings to check progress against actions and review as necessary
9. 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 2022

**Ian Whitelock**

Chief Executive Officer

Date: November 2022

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is retained by the SHEQ Department  
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