

**REPORT FOR: PERFORMANCE AND
FINANCE SCRUTINY
SUB-COMMITTEE**

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| Date of Meeting: | 18 January 2011 |
| Subject: | Budget Holder Forecasting Compliance |
| Responsible Officer: | Myfanwy Barrett, Corporate Director Finance |
| Scrutiny Lead Member area: | Councillor Tony Ferrari (Performance Lead – Corporate Effectiveness and Finance) |
| Exempt: | No |
| Enclosures: | None |

Section 1 – Summary and Recommendations

This report provides the Sub-Committee with a brief update on the performance of revenue budget holders forecasting on SAP.

FOR INFORMATION

Section 2 – Report

Background

The Council commissioned a review of Financial Effectiveness in May/June 2008. This was carried out by PWC and funded by the London Collaborative in order to help Harrow improve its financial management.

Part of the implementation of the action plan, was to train 100% of revenue budget holders to monitor their budget and forecast using SAP. Training took place between February and June 2009 and was mandatory. Refresher training was offered in May and June 2010 and each budget holder has a named finance officer who can offer support. A performance measure to ensure that managers were complying with their responsibility to monitor and forecast monthly was introduced, and each directorate Finance Business Partner (FBP) is responsible for monitoring compliance rates. The target is 100%.

Compliance rates have increased substantially from rates below 50% to rates ranging between 70 and 100%. This will vary from month to month and by directorates. It also includes the impact of any budget holder who completes their forecast outside of the required time period for reporting – late forecasts are counted as non compliance. FBPs will always ensure that there is full coverage of all medium and high risk areas. Where there are a smaller number of managers and cost centres then compliance rates will look worse where a small number of managers do not fully comply.

Reporting on compliance levels and the robustness of forecasts is a regular item at all Directorate Management Teams. This means that action can be taken where a manager is failing to comply and is putting the financial position at risk. Where the budget forecast has not been supplied by the budget holder the FBP will take appropriate action to ensure there is sufficient and robust monitoring information so as not to misrepresent the position reported.

Current situation

This Committee has requested what proportion of the budget remains unmonitored as a result of the less than 100% compliance.

The answer is that this will vary, but that the Finance Business Partner will always ensure that monitoring and reporting is comprehensive and robust in that it covers all medium and high risk areas on a continuous basis and will ensure coverage of low risk areas on an interim but regular basis. There are no managers who routinely do not comply. FBPs will always take action where key information has not been provided to ensure that this is included.

The reporting of compliance rates is intended to make transparent where directorates have higher levels of budget holders who have not supplied the forecast and so supports the aim to continuously work towards 100% compliance. Overall compliance rates are high and stable and there is not a

problem of sustained non compliance. However it is still intended that 100% compliance rate should be the target.

The more important measure is robustness, i.e. how reliable the forecast is. This is addressed by the finance officers who support the budget holders who will question and challenge the forecast. The FBP will be the senior manager who reviews this. At the end of the financial year an exercise is carried out to compare the quarterly forecasts with the final outturn position and this is reported to senior management. The Corporate Strategic Board (CSB) examines the monthly position which incorporates the % variation between months and explanations for movement.

Financial Implications

The robustness of the financial forecast is integral to the Council being able to exercise sound financial management.

Performance Issues

Whilst it remains important to measure compliance rates because this is the most efficient and effective way of managing and controlling budgets, measures of robustness are a more crucial indicator.

Environmental Impact

N/A

Risk Management Implications

Yes.

Corporate Priorities

Good financial management supports the achievement of the corporate priorities.

Section 3 - Statutory Officer Clearance

Name: Myfanwy Barrett



Chief Financial Officer

Date: 06 January 2011

Section 4 - Contact Details and Background Papers

Contact: Jennifer Hydari – Divisional Director Finance and procurement.

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