

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

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

Section 1 – Summary and Recommendations

This report provides the Sub-Committee with a brief update on Harrow's performance on invoice payments to suppliers.

FOR INFORMATION

Section 2 – Report

Background

In line with the Council's standard contract procedure rules, suppliers are to receive payment for the delivery of goods or services within 30 days of receipt of invoice.

A number of processes are already in place to facilitate the above:-

1. Invoices forwarded to the Corporate Accounts Payable (CAP) team for payment are processed within 5 working days of receipt. This performance measure is monitored on a regular basis.
2. Where it is established that an invoice has been blocked for payment in the SAP system, a CAP Officer will immediately engage with the Requisitioner to resolve the issue. An automated email is also forwarded to the relevant Purchase Group Approver with an instruction to clear the blocked invoice.
3. A monthly follow up report is issued to Corporate Directors indicating where Purchase Group Approvers in their directorate have not cleared blocked invoices.
4. The SAP Support Team provide refresher training upon request to all staff involved in raising purchase orders and goods receipting in the SAP system to ensure that the correct procedures are understood and followed.
5. User guides on raising purchase orders and goods receipting are also available on the HUB.

Current situation

The Council's current performance level is running below its target of 95% (see performance issues below) so additional actions have been put in place to increase performance, namely;

1. A letter was re-issued to suppliers in July 2010 reminding them that all invoices should quote an official SAP purchase order number and must be sent directly to the Corporate Accounts Payable Team to ensure prompt payment. This letter will be issued on an annual basis.
2. A letter from the Corporate Director of Finance was issued in October 2010 reminding staff of the correct procedures for raising purchase orders and goods receipting.
3. Corporate Directors now receive a monthly report (from December 2010) providing details of the service areas that do not appear to be following correct procedures.

4. Meetings have been arranged with relevant service areas to explore ways of altering their business processes to facilitate the prompt payment of invoices.
5. The December 2010 edition of the 'Procurement Matters' Newsletter was issued to managers highlighting the importance of following correct contract procedure rules.

The situation will be closely monitored to gauge whether the above actions have improved performance.

Financial Implications

Contained within body of report.

Performance Issues

As stated above the Council's actual performance level is running below its target of 95%. The performance levels for this financial year are shown below;

Percentage of invoices paid within 30 days of receipt: BVPI 8		
2010/11 Quarter 1	2010/11 Quarter 2	2010/11 Quarter 3
82%	77%	78%

Environmental Impact

N/A

Risk Management Implications

Risk included on Directorate risk register? No

Separate risk register in place? No

Corporate Priorities

N/A

Section 3 - Statutory Officer Clearance

Name: Myfanwy Barrett



Chief Financial Officer

Date: 6 January 2011

Section 4 - Contact Details and Background Papers

Contact: Linda D'Souza, Acting Divisional Director – Shared Services, 020 8424 1426

Background Papers:

Letter to Suppliers (July 2010)

Letter from Corporate Director of Finance (October 2010)

http://harrowhub/downloads/download/1131/sap_system_purchase_ordering_and_invoice_payments

Procurement Matters Newsletter (December 2010)

http://harrowhub/info/200235/legal_and_governance/278/freedom_of_information_and_procurement_newsletters