

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

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<b>Date of Meeting:</b>	6 April 2011
<b>Subject:</b>	Chair's report
<b>Responsible Officer:</b>	Alex Dewsnap, Divisional Director, Partnerships Development and Performance
<b>Scrutiny Lead Member area:</b>	All areas
<b>Exempt:</b>	No
<b>Enclosures:</b>	Appendix A – Note of Chairman's briefing held on 16 March 2011

**Section 1 – Summary and Recommendations**

This report sets out issues considered by the Chair since the last meeting of the Performance and Finance scrutiny sub-committee.

**RECOMMENDATIONS:**

The sub-committee is requested to:

- Note the report.

## **Section 2 – Report**

### **Introductory paragraph**

This report outlines the work of the chair and vice-chairman since the last meeting of the sub-committee.

### **Background**

#### **Briefing – 16 March 2011**

A briefing for the chair and vice-chairman was held on 16 March. The purpose was to receive a briefing on performance benchmarking, including value for money. A note of the briefing is attached as Appendix A.

#### **Sub-committee agenda for 6 April 2011**

Items were agreed as follows:

- Chair's report
- Draft P&F section of the annual report 2010/11
- Revenue and Capital Monitoring to 30 June 2010
- Standing review of the budget (2009-10) - Report on progress
- Sustainability review (2009-10) - Report on progress - Climate change
- Sustainability review (2009-10) - Report on progress - Community Sustainability
- Delivering a strengthened voluntary and community sector (2008-09) - progress report

### **Financial Implications**

There are no specific implications arising from this report.

### **Performance Issues**

This report deals with matters of financial and service performance throughout.

### **Environmental Impact**

Not applicable.

### **Risk Management Implications**

Not applicable.

### **Corporate Priorities**

The work of the sub-committee addresses all of the council's corporate priorities.

## **Section 3 - Statutory Officer Clearance**

Not required for this report.

## **Section 4 - Contact Details and Background Papers**

**Contact:** Heather Smith, Scrutiny Officer, 020 8420 9203,  
[heather.smith@harrow.gov.uk](mailto:heather.smith@harrow.gov.uk)

### **Background Papers:**

**Strategic Performance Report (Q3)** – available at:  
[http://www.harrow.gov.uk/downloads/file/9223/strategic\\_performance\\_report\\_q3\\_oct-dec\\_2010](http://www.harrow.gov.uk/downloads/file/9223/strategic_performance_report_q3_oct-dec_2010) (Cabinet, 17 March 2011)

## **Appendix A – Note of Chair’s briefing – 16 March 2011**

### **PERFORMANCE AND FINANCE SCRUTINY SUB-COMMITTEE**

A chair’s briefing was held on 16 March. It was attended by:

- Councillor Sue Anderson, Chair
- Jennifer Hydari, Divisional Director, Finance and Procurement
- Martin Randall, Senior Performance Officer
- Fola Irikefe, Scrutiny Officer

#### **Budget forecasting compliance**

Arising from the 18 January meeting of the sub-committee, Members had been provided with a spreadsheet outlining forecasting compliance by directorate (attached as Appendix 1). The chair sought clarity in relation to the document and how the budget forecast is developed in view of the fact that the information provided did not give the overall budget figure in order to understand the figures per quarter. The Divisional Director accepted that this was an issue and provided some further explanation. She added that the robustness and number of budget holders providing a forecast varies within directorates, but that all Finance Business Partners will risk assess the budget and ensure that there is adequate and robust coverage. The Corporate Strategy Board would be discussing the approach to non-compliance.

The chair requested that she be taken through the process for the production of a budget forecast.

#### **Payment of invoices to suppliers**

Further information on payment to suppliers requested at the 18 January meeting of the sub-committee was provided to the chair and vice-chair (attached as Appendix 2).

In relation to the second column on the table (purchase order date raised after the invoice date), the chair requested further information on the types of items affected. The Divisional Director advised that the new interim Director of Finance has a number of proposals for how to address the situation including writing to suppliers.

(Note: Management responsibility for Shared Services and hence this function passed to the Divisional Director Human Resources and Development within the Chief Executive’s Directorate, from 1 March 2011.)

#### **Review of Corporate Scorecard**

The chair reviewed the scorecard and has requested further information on the following indicators:

##### Keeping neighbourhoods clean, green and safe

- NI 192 Household waste recycled and composted
- NI 32 Repeat incidents of domestic violence
- NI 40 Number of drug users recorded as being in effective treatment

##### Supporting and protecting people who are most in need

- NI 64 (PAF C21) Duration on the child protection register
- % of Children Looked After allocated to a qualified Social Worker

- PAF-D40 People receiving a review as a % of those receiving a service
- Tackling homelessness and demand while reducing temporary accommodation (No. of households we assist with housing in the private rented sector)

#### Customer and corporate health perspective

- NI 157a Processing of Major Planning Applications
- Deliver high quality services (Customer satisfaction with responsive repairs service)

#### Resources perspective

- BV16A % of employees declaring that they meet the DDA definition
- BV 8 % of invoices paid on time (see above)
- Increase % of managers entering budget into SAP (now measures % of cost centres updated (see above)

#### **P&F agenda items – 6 April 2011**

Items were agreed as follows:

- Chair's report
- Draft P&F section of the annual report 2010/11
- Revenue and Capital Monitoring to 30 June 2010
- Standing review of the budget (2009-10) Report on progress Sustainability review (2009-10) - Report on progress - Climate change
- Sustainability review (2009-10) - Report on progress - Community Sustainability
- Delivering a strengthened voluntary and community sector (2008-09) - progress report

The chair indicated that she would also like to revisit the Capital Overspend item at a future P&F meeting.

## Appendix 1 – Budget forecasting compliance

### Adults & Housing

	<i>Number of managers who did not forecast</i>	<i>% of total gross directorate budget for which there was no budget forecast</i>	<i>Notes</i>
<b>KP06 QTR1</b>	9 [representing 14 cost centres]	23.4%	23.4% of budget not forecasted on SAP by budget holders. 11% of the budget relates to a high risk placement budget which is reviewed robustly in conjunction with the budget holder. 100% of budget is reviewed by finance with budget holders.
<b>KP06 QTR2</b>	7 [representing 8 cost centres]	6.3%	6.3% of budget not forecasted on SAP by budget holders. However 100% of the budget is reviewed by finance with budget holders
<b>KP06 QTR3</b>	8[representing 11 cost centres]	24.0%	24% of budget not forecasted on SAP by budget holders. However 100% of the budget is reviewed by finance with budget holders. 13% of non compliance relates to Housing and comprises Training requirements 10%, Sickness 1%, Missed deadlines 2% (workload related)

**Community & Environment**

	<i>Number of managers who did not forecast</i>	<i>% of total gross directorate budget for which there was no budget forecast</i>	<i>Notes</i>
<b>KP06 QTR1</b>	2	2.3%	2.3% of budget not forecasted on SAP by budget holders. However 100% of budget is reviewed by finance with budget holders
<b>KP06 QTR2</b>	0	4.4%	4.4% of budget not forecasted on SAP by budget holders. However 100% of the budget is reviewed by finance with budget holders
<b>KP06 QTR3</b>	3	12%	12% of budget not forecasted on SAP by budget holders. However 100% of the budget is reviewed by finance with budget holders. Qtr 3 % is higher as it was the holiday session, but the forecast was reviewed with the budget holders on their return.

**Assistant Chief Executive**

	<i>Number of managers who did not forecast</i>	<i>% of total gross directorate budget for which there was no budget forecast</i>	<i>Notes</i>
<b>KP06 QTR1</b>	2	18%	18% of budget not forecasted on SAP by budget holders. However 100% of the budget is reviewed by finance with budget holders. Qtr 1 % is higher as 2 managers were on leave at the time of the forecasting but the forecast was reviewed with the budget holders in the following period.
<b>KP06 QTR2</b>	4	22%	22% of budget not forecasted on SAP by budget holders. This figures was higher as few budget holders did not complete during the time scale. However Finance have carried out a review with budget holders to get an overall position for this quarter .
<b>KP06 QTR3</b>	3	15%	15% of the budget not forecasted on SAP by budget holders. A detail monitoring has been carried out by Finance in HR Strategy due to restructuring budget holders were not in a position to complete the screen but this has now worked on this to report a correct position in SAP.



### Corporate Finance

	<i>Number of managers who did not forecast</i>	<i>% of total gross directorate budget for which there was no budget forecast</i>	<i>Notes</i>
<b>KP06 QTR1</b>	4	3%	3% of budget not forecasted on SAP by budget holders. Due to the volume of cost centres not all cost centres were reviewed by Finance but work was done with budget holders & have been reviewed in the following qtr
<b>KP06 QTR2</b>	3	3%	3% of budget not forecasted on SAP by budget holders. However a 100% review has been carried out with budget holders.
<b>KP06 QTR3</b>	2	1%	1% of budget not forecasted on SAP by budget holder. This was due the new IT Resourcing which has recently come into affect. Work is currently been done to review the budgets on ITO & IT Clients.

### Legal & Governance

	<i>Number of managers who did not forecast</i>	<i>% of total gross directorate budget for which there was no budget forecast</i>	<i>Notes</i>
<b>KP06 QTR1</b>	0	0.0%	100% forecast completed by all budget holders and reviewed by Finance with budget holders
<b>KP06 QTR2</b>	0	0.0%	100% forecast completed by all budget holders and reviewed by Finance with budget holders
<b>KP06 QTR3</b>	0	0%	100% forecast completed by all budget holders and reviewed by Finance with budget holders

**Children's**

	<i>Number of managers who did not forecast</i>	<i>% of total gross directorate budget for which there was no budget forecast</i>	<i>Notes</i>
<b>KP06 QTR1</b>	2	2.6%	100% of budget reviewed by Finance with budget holders who failed to complete.
<b>KP06 QTR2</b>	4	7.5%	100% of budget reviewed by Finance with budget holders who failed to complete.
<b>KP06 QTR3</b>	3	7%	100% of budget reviewed by Finance with budget holders who failed to complete.

Source: Jennifer Hydari, Divisional Director Finance and Procurement

## Appendix 2 – Payment to suppliers

<p><b>Percentage of invoices paid after 30 days</b></p>	<p>Calculate the percentage of paid invoices from Quarter 4 and provide it to the Chair and Vice-Chairman of the Sub-Committee</p> <p><i>See note below</i></p>	<p><b><i>We are still in Q4 period (i.e. Jan-March 2011) so figures will not be available until April. For information, the Q2 and Q3 figures are 77% and 78% respectively.</i></b></p>
<p><b>Purchase Order Date raised after the Invoice Date</b></p>	<p>Calculate the monetary value of the 29% of invoices where the SAP purchase order was raised after the invoice date</p> <p><i>See note below</i></p>	<p><b><i>Q3: £11.2m.</i></b></p> <p><b><i>The total monetary value of PO invoices processed in Q3 was £38m.</i></b></p> <p><b><i>The total monetary value of all payments processed in Q3 was £80m.</i></b></p>

A great deal of work was carried out by the Shared Services Corporate Accounts Payable (CAP) Team to identify the main reason for delays in payments. The four main reasons identified are shown below:

- **Invoices forwarded to client departments** – Several vendors appear to be forwarding their invoices to the client department instead of CAP which could delay payment. During the Q3 period, 65% of MIRO invoices (i.e. invoices with a SAP purchase order) were not forwarded directly to CAP. Despite issuing letters to vendors, it is clear that further engagement is necessary. Shared Services will examine the best ways of taking this forward.
- **Lack of understanding of SAP procurement processes** – There appears to be a direct link between invoices forwarded to client departments instead of CAP and staff non-compliance with the correct procedures for raising a SAP purchase order. Over the past few months there has been a lot of feedback from officers in connection with compliance issues however, when examining these responses, it was found that this was mainly due to a lack of understanding of the correct processes. To increase awareness and compliance, the Procurement Team with the assistance of Shared Services will be running a course of staff workshops this year.
- **Invalid purchase orders** – There are occasions when invoices are returned to the vendor because a valid PO number is not quoted. In addition to causing initial delays, once the amended invoice is finally returned, it will still quote the original invoice date which creates the appearance in SAP as having taken more than 30 days to make payment. During the Q3 period, 5% of MIRO invoices were returned to the vendor.
- **Validation process for Non-MIRO invoices** – Invoices that are not supported with a SAP purchase order (e.g. Non-MIRO invoices associated with minor works payments, utility bills, West London Waste

Authority payments) are sent directly to the client department for validation before being processed for payment by CAP. This will inevitably delay payment to the supplier and could exceed 30 days. To avoid unnecessary delays steps have been taken to provide WLWA with the facility to process their invoices directly. Meetings have also been arranged with managers, such as the Minor Works Lead, to discuss how processing times can be improved. These non-MIRO invoices account for approximately 12% of all invoice payments (21,173 invoices were processed in Q3).

Source: Linda D'Souza, Service Manager – Pensions & Corporate Accounts Payable Receivable