

MEETING**FINANCIAL PERFORMANCE AND CONTRACTS COMMITTEE****DATE AND TIME****MONDAY 2ND JULY, 2018****AT 7.00 PM****VENUE****HENDON TOWN HALL, THE BURROUGHS, LONDON NW4 4BG**

Dear Councillors,

Please find enclosed the responses to the submitted Public Questions.

Item No	Title of Report	Pages
4.	PUBLIC QUESTIONS AND COMMENTS (IF ANY)	3 - 12

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Question	Agenda Item	Raised by	Question Raised	Answer
1	7	John Dix	On 27 February 4 weeks before year end this committee was made aware of an overspend after adjustments from reserves of £4.232 million. In 4 weeks that overspend almost doubled to £7.885 million. Why was there such a serious under reporting of the financial position at the last meeting?	The information provided on 27 February 2018 was the forecast as at Quarter 3 (i.e. December 2017). The information within the outturn report was produced during May 2018 so is essentially 4-5 months more up to date. During this time, a number of significant one-off items have emerged and there was a continuation of increasing demand. These factors combined to cause the variance between Q3 and Q4 explained in table 2 in item 7.
2	Various	Roger Tichborne	The papers for this committee meeting demonstrate that the council can only maintain its budget by raiding council reserves. Does the chair of the committee agree that such a large scale raid on the council reserves simply to keep "Business As Usual" functions running is unsustainable?	The June 2018 Policy and Resources Committee paper sets out the council's position on this clearly. The council does not believe this position is sustainable and is putting in place actions to avoid such a draw down in future.
3	6	Stuart Goodman	My question concerns Item 6 on the Agenda for the meeting of the Financial Performance and Contracts Committee. Specifically, what does Item 1.3 say, please?	1.3 was accidentally missed out in the paragraph numbering.
4	7	John Dix	Given that this committee was not alerted to the scale of the financial overspends at the 27 February meeting, 4 weeks before year end, and only discovered in May when the year-end accounts were being closed, how confident are you that this report provides you with an accurate picture of current financial performance?	<p>This particular report is an outturn report and as such deals with actual results as opposed to forecasts. There is, therefore, no scope to vary what is now historical performance. We are thus completely confident about the results produced and additionally the outturn will be subject to external audit.</p> <p>Forecast reports, which will come to future meetings of this committee, will be subject to enhanced scrutiny before publication.</p>

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5	7	Roger Tichborne	The reports state that "chief officers are working to mitigate these pressures". At what point did they identify the crisis and start working to mitigate the pressures?	Some of the pressures were known or predicted throughout last year. The recovery plans put in place address both these and those identified between Quarter 3 and outturn.
6	7	John Dix	Do you think that the net draw on reserves and balances for 2017/18 of £21.148m is either acceptable or sustainable and what steps are you going to take to ensure this huge draw on reserves and balances does not occur again this year.	The council does not consider this sustainable and this position was further explored within the June Policy and Resources Committee meeting. A further report will be brought to the July Policy and Resources Committee.
7	7	Roger Tichborne	The report states that the crisis will be resolved "by ensuring that all possible external funding sources are maximised" - Given that Council tax is the major source of external funding for the council and that the papers say this will be maximised, does this mean that over the next two financial years, the taxpayer will be charged the maximum possible increase? IF not please state exactly what these sources are and what is meant by "maximised".	This refers to recharges of the council's costs to funding sources outside of the General Fund and does not refer to Council Tax. The specific sources are still being explored but the calculations will ensure that appropriate levels of recharge are applied and that the General Fund does not subsidise other areas of activity.
8	7	John Dix	1.2.3 implies that the Policy and Resources committee were aware and approved of all the drawdown on reserves and balances which they were not at their meeting on 13 February, 6 weeks before year end. Do you think the wording of this section should be changed to reflect the fact that such a large shortfall was only identified after year end	1.2.3 discusses movements in the contingency budget and not reserves or balances therefore it would not be appropriate to change the wording in this manner.

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			accounts were closed.	
9	Various	Roger Tichborne	At the Capita AGM, the management of Capita informed shareholders that they would be meeting to discuss "problem contracts" with the CEO of Barnet. What are these contracts and what are the problems.	Policy and Resources Committee in July will consider a strategic review of the contracts.
10	7	John Dix	In the report it states that the overspend was reduced following drawdown from reserves. This is entirely misleading as the overspend was not reduced. Should the report be corrected to say the overspend was offset following drawdown from reserves as that is a more accurate description of the situation.	The terminology about 'reducing' the overspend was used in order to be consistent with past language and to describe the impact of drawing down reserves on the budget forecast, however either term is appropriate. We will consider using offset if appropriate in the future.
11	Various	Roger Tichborne	When Capita senior management meet with the Barnet CEO are the discussions to be about exiting problem contracts or raising charges to Barnet Council (and by implication tax payers)?	Please see response to Question 9 above.
12	7	John Dix	At this meeting in February most of the budget overspends were identified with one significant exception which is the Re budget. In February the Re budget outturn was forecast at £611,000 with reserve movements of £241,000. On that basis paragraph 1.2.18 entirely misrepresents the situation by saying that the budget was overspent by £3.954 million. Can you confirm that the budget was overspent by £6.7 million of which only	Paragraph 1.2.18 is clear in the first two sentences that the overspend is £3.954m after the drawdown of reserves of £2.746m. The council is transparent in presenting the gross variances and Appendix A explains the full variance in more detail. The movements between the Q3 forecast and Q4 actuals can be seen in table 2 within the main report.

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			£290,000 was identified at 27 February.	
13	7	John Dix	Of the two overspend items in the Re budget, is the £4.5 million guaranteed income the same element that was identified by the external auditor last year and on which the Audit committee were given solid reassurances by the Director of Resources that they would be recovered?	This is the same issue. The Director of Resources gave assurances that the council believed this debtor was due based on the information available at that time. Since those assurances were given, and following legal advice, the council's position changed. This then required a change in the accounting treatment of the debtor.
14	7	John Dix	Will you be asking the Director of Resources why they gave such a reassurance last year that has failed to materialise?	Those assurances were understandable given the information available at the time they were given.
15	7	John Dix	Please can you explain why it took from July last year until after year end before this committee were made aware that this amount was not recoverable?	The issues connected with this debtor were not resolved until later; therefore it would not have been appropriate to provide a forecast on any other basis until these were fully resolved.
16	7	John Dix	Please can you clarify specifically what you mean by the sum being "accounted for within the HRA budget" given that this sum is not reflected in the HRA budget outturn at Table 3?	The Council assumed a debtor within the general fund for the shortfall between actual income and the income guarantee. Following legal advice, the council subsequently assessed that the debtor for this income shortfall is not due. This does not change the income level to the HRA but leaves an unrecoverable debtor on the general fund which therefore needed writing off.
17	7	John Dix	Can you clarify specifically what the legal advice said as to why the "guaranteed income" should not be included in the General Fund revenue account?	We do not provide specific information on legal advice, as this is privileged. Advice was not sought on the question of which of the council's accounts should be charged.

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18	7	John Dix	If the other major Re overspend of £2.647 million was a contractual liability, why was it not recognised in the performance figures sooner so that other budgets could be adjusted before year end to reflect the liability?	This payment was omitted from the forecast in error, but was corrected before year end.
19	7	John Dix	At 1.2.23 the report states that “net pressure” is £9.5 million. Can you confirm that this is in addition to the planned savings already forecast of £9.932 million meaning that total savings required this year are £19.432 million?	This understanding is correct; however officers are working hard to reduce the forecast £9.5m and an update will be provided to the Policy and Resources Committee in July.
20	7	John Dix	Given that we are three months into this financial year what is the latest update on the realisation of this £19.432 million of savings?	The Council is currently producing its month 2 financial report and forecast; this information will be available soon and will allow an early judgement on progress.
21	7	John Dix	How confident are you that the narrative in this report is balanced and that it provides a true picture of performance?	The report is based on actuals and therefore <i>is</i> the performance for last year. There is no scope for it to vary. The report is drafted by the Chief Financial Officer and his staff who are politically neutral and whose role it is to provide an accurate, balanced and informative narrative upon which the organisation can base its decisions.
22	10	John Dix	At 1.6 in the report it states that six performance indicators were not met yet at 1.7 the report states that Cambridge Education only failed to meet one contract indicator. Does that mean that the commissioning and corporate plan indicators are not the contractual responsibility of Cambridge Education?	The corporate/commissioning plan indicators in 1.6 are all KPIs and the contractual responsibility of Cambridge Education. School performance for the academic year 2016/17 was discussed at CES Committee on 7 March where the achievement of Disadvantaged Pupils and Looked after Children was noted a priority area for improvement. The report can be found online at: http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId

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23	10	John Dix	The report identifies indicators not met but no reassurance is provided as to how they will be met in the future. How can we be sure that these indicators will have been met when they are next reviewed?	There is a clear contract management framework in place for the council's major strategic contracts. Where contractual KPIs are not being met, actions are agreed between the council and provider to improve performance. Any significant issues are reported to Financial Performance and Contracts Committee for Member oversight.
24	10	John Dix	At 1.8 no mention is made of the massive financial fraud that took place last year and which it appears was able to take place as a result of failing in the internal financial controls which are the responsibility of CSG. Can you tell me why this was not included in the report?	Any findings of fraud investigations relating to the council's contractors are reported to the Audit Committee in line with its responsibilities and to the Financial Performance and Contracts Committee upon conclusion of relevant investigations, in relation to contract implications
25	10	John Dix	The report states that "a review of internal financial controls was undertaken and improvement implemented". Is this the Grant Thornton Project Rose study, and if so when were these improvements implemented and will the report either be made public or circulated to members of this committee in private session/ "blue papers".	The Grant Thornton Financial Controls review will be reported to Audit Committee in July.
26	10	John Dix	The report notes that a gainshare working group was set up to review the application and reporting of procurement gainshare. Please can you provide me with more details	As set out in the Policy and Resources 19 July report, the gainshare model is being reviewed and conclusions will be brought to the appropriate committee in due course. This is likely to be the Policy and Resources Committee in

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			as follows: what are their terms of reference; who attends the working group; how many times have they met so far; do they publish minutes; what is the timescale for producing a defined output; do Capita attend these meetings; will you be taking public evidence; and will the findings be made public?	the autumn.
27	10	John Dix	How confident are you that the gainshare savings stated are real and specifically as a result of Capita expertise or could they have been achieved using standard framework contracts available to local authorities?	The CSG contract has a three stage procurement benefits sign-off process, which is used to assess contractually compliant savings. The savings stated have been through this process.
28	10	John Dix	When I checked on the 23 May 2018, the contracts register for 2018/19 was on line and showed that 112 contracts had expired before the start of the 2018/19 financial year. On 23 June 2018 the data set had been removed from the Barnet Open data portal. What is going on, if the contract register being maintained up to date, how many contracts are currently being used that have expired?	<p>The contracts register online in May 2018 was showing original contract end dates and not extensions in place, and so 112 contracts had not expired. This will be corrected going forwards.</p> <p>The contract register is updated throughout the year and republished annually on the Barnet Open Data portal following a wholesale annual review and validation exercise with contract owners. This exercise is currently taking place and an updated list will be published by the end of July. There is currently 1 expired contract which has had c.£5.5k spent on it since expiry.</p>
29	10	John Dix	For 2017/18 I understood that the in-year Council Tax and NNDR collection rate were guaranteed at 98.0%. On that basis why is the in-year council tax collection rate shown as only 96.02% and only 96.89% for NNDR and will CSG be making up the shortfall?	The guarantee relates to the amount of Council Tax collected in year 4, so performance in 17/18 was measured against the amount collected for the 14/15 financial year. The target was 98.5% and CSG hit 98.57%. If they had failed to hit the target they guarantee (up to £5million over the contract term) to make good any

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				<p>shortfall between the target and the amount collected.</p> <p>There is no similar provision for NNDR.</p>
30	10	John Dix	<p>There are a large number of KPI's not being met or performance is worsening yet the report does not appear to identify what steps are being taken to ensure they situation improves. How can we have any confidence that these matters are being adequately addressed and that this time next year the situation will have improved?</p>	<p>See response to 17 above.</p>
31	10	John Dix	<p>Do you think it would be helpful to inform committee members that the caseload charges over and above the core fee for 2017/18 were £190,953 and that CSG customer service volume excess charges were £247,000?</p>	<p>Members have been alerted that there was a volume charge for Business Rates and Net Benefit caseload (see p.72 of the report). Detail on the specific amounts is available. The £247k mentioned in this question was a volumes payment made in 2017/18 in relation to 2016/17.</p>
32	6	John Dix	<p>Given that the council has now introduced monthly financial reporting can you include in the terms of reference that the quarterly financial reports must reflect a rolling quarter's data i.e. the three months figures immediately prior to the committee meeting as a way on ensuring you get the most timely and accurate information.</p>	<p>We will provide the latest information that is available and that has been quality assured. The primary operational responsibility rests with officers; and the role of Committee is to monitor and scrutinise.</p>
33	6	John Dix	<p>When the report says the CFO's report will give a "broad look" at financial performance it creates ambiguity and risks failing to provide you with important detailed information.</p>	<p>Item 8 on the agenda sets out the planned format and contents of the CFO's report. The Committee will consider these contents and make a decision on how it will receive information throughout the year. No</p>

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			Given the content of the report are listed do you agree that the term “broad look” should be deleted and include the words “and any other information the committee deems important for the monitoring of financial performance”?	amendment to item 6 is therefore considered necessary.
34	6	John Dix	Do you think it would be advisable to add in the following phase: “The report must be provided in a consistent format which not only allows immediate transparency but facilitates the easy identification of trends in performance over a period of time”?	Trend data will be progressively included. It is not necessary to include this comment within the report.
35	6	John Dix	Will this report include details of the Budget Recovery Plan, progress on non-essential discretionary spend controls and any SPIRs that have been frozen?	This information will be provided at an appropriate level of detail.
36	6	John Dix	Will the report give details of the Capita contract negotiations – even if they are provided in private session/within confidential “blue” papers?	Financial Performance and Contracts Committee will receive reports at an appropriate level of detail relating to its responsibilities for oversight and scrutiny of the council’s major strategic contracts. Some reports may be exempt by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972. Relevant exemption will be determined on a case by case basis.
37	6	John Dix	Given that staffing and agency costs are a major source of budget overspends surely this committee should receive details of staffing, incl. headcount, FTE, agency and sickness absence as these are financial performance issues not policy issues?	An update on the HR service will be included in the Contracts Performance Report to Financial Performance and Contracts Committee. If staffing, incl. headcount, FTE, agency and sickness absence, are driving an overspend it may be included in the CFO report where appropriate within context of the subject matter. An in-depth report on agency will be considered by Financial

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				Performance and Contracts Committee, as part of the performance of back office functions in September 2018.
38	6	John Dix	For the avoidance of doubt, who is the Chief Finance Officer as there is no such post in the LBB senior management structure; are they a Capita employee, the Head of Finance or the Director of Resources/S151 Officer.	The Chief Financial Officer is the statutory designation of the S151 officer. Currently Kevin Bartle.
39	6	John Dix	Will the S151 Officer attend these meetings?	Yes, as per the existing arrangements.
40	9	John Dix	Why are we waiting until September to get a report on agency spend when it represents such a major cost to the council given that we will be half way through the financial year at that stage and have less opportunity to act on the findings before year end?	September is the meeting of the Financial Performance and Contracts Committee. Officers have commenced work to review agency spend and an update will be reported to the September meeting of the Financial Performance and Contracts Committee.