

	<p style="text-align: center;">Financial Performance and Contracts Committee</p> <p style="text-align: center;">2 July 2018</p>
Title	Financial Performance and Contracts Committee Governance Arrangements
Report of	Commercial Director
Wards	All
Status	Public
Urgent	No
Key	No
Enclosures	N/A
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Summary

The purpose of this report is to set out the core business of the new Financial Performance and Contracts (FPC) Committee in line with the Terms of Reference (TOR); the core papers to be considered by the Committee on a regular basis; and the Committee's relationship to the broader Performance and Risk reporting frameworks.

Officers Recommendations

1. The Committee is asked to approve the core papers that will be considered by the Committee on a regular basis.
2. The Committee is asked to note the Committee's relationship to the broader Performance and Risk reporting frameworks.

1 WHY THIS REPORT IS NEEDED

Purpose of report

1.1 The purpose of this report is to set out the core business of the new Financial Performance and Contracts (FPC) Committee in line with the Terms of Reference (TOR); the core papers to be considered by the Committee on a regular basis; and the Committee's relationship to the broader Performance and Risk reporting frameworks.

Core business of the Committee in line with the Terms of Reference

1.2 The FPC Committee will be responsible for:

1. The oversight and scrutiny of:
 - (a) The overall financial performance of the council
 - (b) The performance of services other than those which are the responsibility of the Theme Committees
 - (c) The council's major strategic contracts including (but not limited to):
 - Analysis of performance
 - Contract variations
 - Undertaking deep dives to review specific issues
 - Monitoring the trading position and financial stability of external providers
 - Making recommendations to P&R Committee and/or Theme Committees on issues arising from the scrutiny of external providers
2. At the request of P&R Committee and/or Theme Committees consider matters relating to contract or supplier performance and other issues and making recommendations to the referring committee
3. To consider any decisions of the West London Economic Prosperity Board which have been called in, in accordance with Article 7 of the Constitution.

Core papers that will be considered by the Committee on a regular basis

1.4 The agenda for FPC Committee will have three-parts:

1. Chief Finance Officer (CFO) report

This report will take a broad look at financial performance, including:

- Forecast against budget
- Major current issues and managing overspends in year
- Cost reduction, Priorities and Spending Review (PSR) delivery and managing the realisation of benefits
- Capital programme
- Reserves position
- Debtor management
- Strategic financial matters such as the review of financial controls

2. Performance of 'back office' services not covered by Theme Committees

- Overall performance and KPIs associated with back office services. A separate report to 2 July 2018 Committee meeting sets out an initial forward plan for reviewing the performance of key back office services

3. Performance of key strategic contracts

- Performance of The Barnet Group, Cambridge Education, CSG and Re, including KPIs, risks, contract variations and special projects (SPIRS).

- The trading position and financial stability of the council's major contractors will be regularly reported to the Committee in line with its remit. These updates may need to be in private session depending on the commercial confidentiality of the information.

Committee's relationship to the broader Performance and Risk reporting frameworks

1.5 In the last year, performance and risk was reported Quarterly to Performance and Contract Management (PCM) Committee and Annually to Theme Committees (which changed to Quarterly from Q3 2017/18). Going forward, performance and risk will be reported to Members as follows (see Fig.1):

- Quarterly to Policy & Resources (P&R) Committee - focusing on the corporate ('top 15') priorities in the Corporate Plan, including relevant budget and risk information
- Quarterly to FPC Committee - focusing on financial performance and key strategic contracts, including relevant budget and risk information
- Quarterly to Theme Committees - focusing on Theme Committee priorities in the Corporate Plan, including relevant budget and risk information

1.6 Fig. 1 shows that:

- **P&R Committee is responsible for strategic policy, finance and corporate risk management.** Each Quarter, P&R Committee will receive a *strategic overview of the Corporate Plan* that will include the revenue and capital budget and savings forecasts; staffing information; an update on the corporate ('top 15') priorities in the Corporate Plan, including a narrative; related indicators/statistics; related risks scoring 15+; and any strategic issues/escalations from Theme Committees.
- **FPC Committee is responsible for the oversight and scrutiny of the overall financial performance of the council; performance of services other than those which are the responsibility of Theme Committees; and major strategic contracts.** Each Quarter, FPC Committee will receive information on *financial performance; back office/services not covered by Theme Committees; and key strategic contracts*, including an update on service areas; KPIs (where not met target); and joint risks scoring 15+.
- **Theme Committees are responsible for receiving reports on relevant performance information and risk.** Each Quarter, the Theme Committees will receive *relevant revenue and capital budget forecasts; and an update on the Theme Committee's priorities in the Corporate Plan*, including related indicators/statistics; and related risks.

1.7 Recommendations (or referrals) can be made between the above Committees. The TOR for these Committees specify the below. In addition, P&R Committee and Theme Committees should recommend to FPC Committee on matters relating to financial performance; and vice versa.

- P&R Committee should recommend to Theme Committees on matters relating to that Committee; and FPC Committee on matters relating to contract or supplier performance and financial performance.

- FPC Committee should recommend to P&R Committee or Theme Committees on issues arising from the scrutiny of external providers and financial performance.
- Theme Committees should recommend to P&R Committee on matters relating to the budget; and FPC Committee on matters relating to contract or supplier performance and financial performance.

Fig.1 Relationship between Committees in respect of performance and risk reporting

P&R Committee	FPC Committee
<p>Responsible for strategic policy, finance and corporate risk management incl. recommending revenue and capital budget; MTFS; and Corporate Plan to Full Council.</p> <p>Strategic overview of Corporate Plan, incl.</p> <ul style="list-style-type: none"> • Overall budget accountability and monitoring (incl. budget forecasts, savings and agency costs), in line with accountability to approve overall budget • Staffing, incl. headcount, FTE, agency and sickness absence • Update on corporate priorities (known as ‘top 15’ priorities), incl. <ul style="list-style-type: none"> ○ Short narrative ○ ‘Top 15’ priorities indicators, plus additional MI (TBA) ○ Strategic risks and high level (scoring 15+) service/joint risks (mapped to ‘top 15’ priorities) • Strategic issues/escalations from Theme Committees <p><u>Recommendations</u></p> <ul style="list-style-type: none"> • To Theme Committees on matters relating to that Committee. • To FPC Committee on matters relating to contract or supplier performance and financial performance. 	<p>Responsible for oversight and scrutiny of the overall financial performance of the council; performance of services other than those which are the responsibility of the Theme Committees; and major strategic contracts.</p> <p>Overall financial performance and strategic contracts, incl.</p> <ul style="list-style-type: none"> • Financial performance • ‘Back office’/services not covered by Theme Committees • Key strategic contracts, incl. <ul style="list-style-type: none"> ○ Update on service areas ○ KPIs (where not met target) ○ High level (scoring 15+) joint risks • Other issues at the request of P&R Committee or Theme Committees <p><u>Recommendations</u></p> <ul style="list-style-type: none"> • To P&R Committee or Theme Committees on issues arising from the scrutiny of external providers and financial performance.
<p style="text-align: center;">Theme Committees (x6)</p> <p>Responsible for submitting proposals to P&R Committee relating to Theme Committee’s budget for the following year, as well as making recommendations to P&R Committee on issues relating to the Theme Committee’s budget incl. virements or underspends and overspends; and for receiving reports on relevant performance information and risk on the services under the remit of the Theme Committee.</p> <ul style="list-style-type: none"> • Budget (revenue and capital) forecasts • Update on Theme Committee priorities (‘top 15’ and ‘additional priorities’), incl. <ul style="list-style-type: none"> ○ All indicators (mapped to each priority) ○ Additional MI (TBA) (mapped to each priority) ○ Strategic risks and service/joint risks (mapped to each priority) <p><u>Recommendations</u></p>	

- To P&R Committee on matters relating to the budget.
- To FPC Committee on matters relating to contract or supplier performance (revenue and capital related) and financial performance.

2 REASONS FOR RECOMMENDATIONS

- 2.1 These recommendations are to provide the Committee with the necessary information to oversee the overall financial performance of the council and the council's major strategic contracts. This paper enables the council to meet the budget agreed by Council on 6 March 2018.

3 ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 None.

4 POST DECISION IMPLEMENTATION

- 4.1 Following the Committee's decision, officers will prepare the necessary reports and will report these to Committee in line with the proposed governance arrangements.

5 IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 The council has an established approach to performance management, which is set out in the Performance Management Framework. This report clarifies the Performance and Risk reporting frameworks in relation to P&R Committee, FPC Committee and the Theme Committees, subsequent to changes in the committee structure.

- 5.1.2 Robust budget, performance and risk monitoring is essential to ensure there are adequate and appropriately directed resources to support the delivery and achievement of the council's priorities and targets, as set out in the Corporate Plan.

- 5.1.3 The results for all Corporate Plan indicators will continue to be published on the Open Barnet portal at <https://open.barnet.gov.uk/dataset>

- 5.1.4 Relevant council strategies and policies include the following:

- Corporate Plan 2015-2020
- Corporate Plan – 2018/19 Addendum
- Performance Management Framework
- Risk Management Framework
- Medium Term Financial Strategy
- Treasury Management Strategy
- Debt Management Strategy
- Insurance Strategy
- Capital, Assets and Property Strategy.

5.2 Resources (Finance and Value for Money, Procurement, Staffing, IT, Property, Sustainability)

5.2.1 The resource implications of each service considered by the Committee will be included in each relevant Committee report.

5.3 Social Value

5.3.1 The Public Services (Social Value) Act 2012 requires people who commission public services to think about how they can also secure wider social, economic and environmental benefits. Before commencing a procurement process, commissioners should think about whether the services they are going to buy, or the way they are going to buy them, could secure these benefits for their area or stakeholders. The council's contract management framework oversees that contracts deliver the expected services to the expected quality for the agreed cost. Requirements for a contractor to deliver activities in line with Social Value will be monitored through this contract management process.

5.4 Legal and Constitutional References

5.4.1 Section 151 of the Local Government Act 1972 states that: "without prejudice to section 111, every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs". Section 111 of the Local Government Act 1972, relates to the subsidiary powers of local authorities.

5.4.2 Section 28 of the Local Government Act 2003 (the Act) imposes a statutory duty on a billing or major precepting authority to monitor, during the financial year, its income and expenditure against the budget calculations. If the monitoring establishes that the budgetary situation has deteriorated, the authority must take such action as it considers necessary to deal with the situation. Definition as to whether there is deterioration in an authority's financial position is set out in sub-section 28(4) of the Act.

5.4.3 The council's Constitution, Article 7 Committees, Forums, Working Groups and Partnerships, sets out the functions of the Financial Performance and Contracts Committee as being Responsible for the oversight and scrutiny of:

- The overall financial performance of the council
- The performance of services other than those which are the responsibility of the: Adults & Safeguarding Committee; Assets, Regeneration & Growth Committee; Children, Education & Safeguarding Committee; Community Leadership & Libraries Committee; Environment Committee; or Housing Committee
- The council's major strategic contracts including (but not limited to):
 - Analysis of performance
 - Contract variations
 - Undertaking deep dives to review specific issues
 - Monitoring the trading position and financial stability of external providers
 - Making recommendations to the Policy & Resources Committee and/or theme committees on issues arising from the scrutiny of external providers
- At the request of the Policy & Resources Committee and/or theme committees consider matters relating to contract or supplier performance and other issues and making recommendations to the referring committee

- To consider any decisions of the West London Economic Prosperity Board which have been called in, in accordance with this Article.

5.4.4 The council's Financial Regulations can be found at:

<http://barnet.moderngov.co.uk/documents/s46515/17FinancialRegulations.doc.pdf>

5.4.5 Section 2.4.3 states that amendments to the revenue budget can only be made with approval as per the scheme of virements table below:

Virements for allocation from contingency for amounts up to and including £250,000 must be approved by the Chief Finance Officer
Virements for allocation from contingency for amounts over £250,000 must be approved by Policy and Resources Committee
Virements within a service that do not alter the approved bottom line are approved by the Service Director
Virements between services (excluding contingency allocations) up to and including a value of £50,000 must be approved by the relevant Chief Officers
Virements between services (excluding contingency allocations) over £50,000 and up to and including £250,000 must be approved by the relevant Chief Officer and Chief Finance Officer in consultation with the Chairman of the Policy and Resources Committee and reported to the next meeting of the Policy and Resources Committee
Virements between services (excluding contingency allocations) over £250,000 must be approved by Policy and Resources Committee.

5.5 Risk Management

5.5.1 The council has an established approach to risk management, which is set out in the Risk Management Framework. All risks are reviewed on a quarterly basis (as a minimum) and high level (scoring 15+) risks on the strategic and service/joint risks registers will be reported to P&R Committee, FPC Committee and/or Theme Committees in accordance with the Performance and Risk reporting frameworks (as described above).

5.6 Equalities and Diversity

5.6.1 The Equality Act 2010 requires organisations exercising public functions to demonstrate that due regard has been paid to equalities in:

- Elimination of unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010.
- Advancement of equality of opportunity between people from different groups.
- Fostering of good relations between people from different groups.

5.6.2 The Equality Act 2010 identifies the following protected characteristics: age; disability; gender reassignment; marriage and civil partnership, pregnancy and maternity; race; religion or belief; sex and sexual orientation.

5.6.3 In order to assist in meeting the duty the council will:

- Try to understand the diversity of our customers to improve our services.
- Consider the impact of our decisions on different groups to ensure they are fair.

- Mainstream equalities into business and financial planning and integrating equalities into everything we do.
- Learn more about Barnet's diverse communities by engaging with them.

This is also what is expected of the council's partners.

5.6.4 This is set out in the council's Equalities Policy together with the strategic Equalities Objective - as set out in the Corporate Plan - that citizens will be treated equally with understanding and respect; have equal opportunities and receive quality services provided to best value principles.

5.7 Corporate Parenting

5.7.1 In line with Children and Social Work Act 2017, the council has a duty to consider Corporate Parenting Principles in decision-making across the council. Any implications for the council's Corporate Parenting Responsibilities will be identified in each FPC Committee report.

5.8 Consultation and Engagement

5.8.1 None.

5.9 Insight

5.9.1 The analysis of key data and information will form part of reports to this Committee, as applicable.

6 BACKGROUND PAPERS

6.1 None.