Grants Committee

Commissioning Performance Management Framework Review

Item   9

Report by:	Simon Courage	**Job title:**	Head of Grants and Community Services
	Katy Makepeace-Gray		Principal Programme Manager

Date: 23 November 2016

Contact Officer: Simon Courage

Telephone: 020 7934 9901   **Email:**   simon.courage@londoncouncils.gov.uk

Summary

Local authorities have a statutory duty to secure best value for money[1]. Founded on this, the Grants Committee agreed a framework for the management of the Programme – the Commissioning Monitoring Arrangements (CMA) - in February 2013. This is based on the principle of triangulation: performance management of projects by officers in the London Councils team; self-evaluation by projects; oversight from members in the Committee itself, the Executive and any other sub-committees, and member visits to projects.

The programme is commissioned. This means the Grants Committee specifies targets (and borough-level indicators). London Councils seeks open and competitive bids to deliver the targets. The Committee selects providers. The triangulation approach to performance management leads to quarterly reports to Committee. Poor performance may cause funding to be withheld.

In July 2016 Grants Committee considered an initial review of the CMA. The initial review outlined the successes of the model in terms of resolving issues that it was established to address.

This report builds on the report considered in July, playing particular regard to issues raised through the Grants Review and suggests ways in which these could be strengthened following the input of boroughs and other stakeholders.

---

[1] Section 3 of the Local Government Act 1999 (as amended by s137 of the Local Government & Public Involvement in Health Act 2007)

1 ensuring value for money
2 robust outcomes
3 non-duplication and best fit with existing services at a borough (or regional) level
4 risk-based approach
5 clear communications, referrals and reporting plan with boroughs

A draft of the new Commissioning Performance Management Framework* is provided for comment at this Committee meeting in **Appendix One.** A final version that takes on board decisions at this meeting will be provided at the Grants Committee on 8 February 2017.

*The title CMA has been changed to Commissioning Performance Management Framework (CPMF) to reflect the fact that the framework covers the enhanced elements of performance management following the framework's review

Recommendations

Members are asked to,

1. Note the summary of the implementation of the Commissioning Monitoring Arrangements framework (CMA) to date and the progress of the CMA (and alterations) in successfully addressing the issues which led to its creation (as previously reported) as considered by members in July 2016.
2. Note the issues raised in the Grants Review 2015-16 and the follow up work officers have taken to scope the range of ways to address these issues with borough officers and other stakeholders including the GLA and The Cabinet Office's Grants Efficiency Programme (GEP) .
3. Discuss the draft new Commissioning Performance Management Framework provided for comment in **Appendix One.**. A final version will be provided at the Grants Committee, 8 February 2017.

1 Background

1.1 Local authorities have a duty to ensure value for money, through the Best Value Duty when commissioning public services. [2] This is described as the optimal use of resources to achieve the intended outcomes. The model focuses on three 'E's, effectiveness, economy and efficiency. This model runs alongside other key principles of commissioning of public services, regularity and propriety to ensure the highest standards in governance and management.

1.2 Grants Committee agreed a framework for the management of the Programme – the Commissioning Monitoring Arrangements (CMA)- in February 2013. These arrangements are used to provide the Committee with assurance on

- Regularity – assurance the money is being spent only on what the Committee intended
- Propriety – assurance that the programme is being managed in accordance with the standards required in public life and that there is no fraud or abuse
- Value for money – assurance that the management of the programme provides the best combination of efficiency, economy and effectiveness.

1.3 Specifically, the CMA was designed to assure the Committee that London Councils has in place systems of oversight, control and reporting to ensure that funded organisations deliver the required outcomes in a manner that provides value for money for the taxpayer. These improvements were introduced following concerns raised by the Grants Committee in the light of an internal audit review of grants management and the Daniel Review in 2012.[3]

1.4 In July 2016 Grants Committee considered a report covering an initial review of the CMA. The report concluded that the CMA has been implemented successfully and has addressed the issues that led to its creation. It has driven up the performance of red and amber rated projects in the initial quarters of the cycle and the majority of projects are now consistently green. The tools are sophisticated and allow for the capture of over 150 pieces of data quarterly as well as complex qualitative analysis and case study information.

---

[2] Section 3 of the Local Government Act 1999 (as amended by s137 of the Local Government & Public Involvement in Health Act 2007)

[3] London Councils Chief Executive commissioned Gareth Daniel to undertake a review into grants management procedures.

1.5 Following the Daniel Review, presented to Grants Committee in February 2013, the internal audit team at the City of London Corporation undertook an audit of the grants programme in January and February 2014. The audit reviewed the management controls which ensure that grants were issued in accordance with established priorities and the adequacy of due diligence checks, monitoring procedures and payment processes. The review also measured the extent to which the recommendations of the 2012 grant investigation had been implemented.

1.6 The review established that 'there is a sound control environment with risks to system objectives being reasonably managed'. The review concluded that internal control of grants was robust and a 'substantial' assurance rating was issued. In addition, it has been verified that all recommendations raised following the grant investigation in October 2012 have been fully implemented. The report also concluded that there were a number of areas in which the model could be strengthened, outlined in section six.

2. Proposed enhancements to the framework

2.1 During the Grants Review a number of issues were raised regarding areas of the commissioning performance management framework that respondents wanted a greater focus on, in particular

      1   robust outcomes

      2   ensuring value for money

      3   Risk-based approach

      4   non-duplication and best fit with existing services at a borough (or regional) level

      5   clear communications, referrals and reporting plan with boroughs

2.2 The following sections address these issues and outline the changes to the new draft commissioning performance management framework included as **Appendix One.**

3 **Working with the London boroughs (non-duplication, best fit, reporting/communications and liaison with boroughs)**

3.1 The Grants Review highlighted the need for the performance management framework to be strengthened in terms of the relationship of the programme with the 32 boroughs and City of London. This is both in terms of providers needing to work closely with boroughs and London Councils reporting back to boroughs on the progress of the projects. Feedback from relevant borough officers was mixed, with some boroughs stating that funded services had integrated well with their services, and other boroughs which were

less aware of the funded organisations. In addition some boroughs felt that reporting on progress had improved and was satisfactory, where as others felt that this was an area that could be improved.

3.2 Members have expressed a desire to be more involved in the management of the programme, including at the last Committee meeting, This is welcomed by London Councils and this can be achieved through the existing terms of reference and this revised commissioning and performance management framework. Members who wish to do this are asked to make themselves known to London Councils officers, who can arrange visits and next steps. Any changes to the 'constitution' of the Committee would be considered at the next Grants Committee AGM if members wished to pursue this.

3.3 Officers sought the views of boroughs officers and other stakeholders on both of these issues as part of the specification development work. In terms of reporting of progress by London Councils it was felt that at times there was too much data provided and thought should be given to matching the information provided to the audience. There was also a view expressed that it was unclear who to report concerns to at London Councils. Contact details (both within providers and boroughs) change regularly and it was felt that it was difficult to maintain relationships and that keeping contact information up to date used a lot of resources. The specification development process outlined this as a potential role for service areas 1.3 and 2.5.

3.4 Housing officers asked for regular reports to be submitted to Housing Directors. These have been provided previously (generally to the Housing Needs and Homelessness Network), and are circulated with the papers to these meetings. However, it could be the case that there needs to be attendance at these meetings on occasions to present on the papers. In terms of Priority 2 it was suggested that presentations are given at the London Heads of Community Safety (LHoCS) meetings convened at London Councils as well as VAWG Coordinators which meets at City Hall.

3.5 Some boroughs also requested the quarterly returns of commissions be sent to the relevant boroughs officers and one borough suggested that these should be signed off by the borough officers. Sexual and domestic violence officers suggested the importance of a 360 degree approach in which a range of stakeholders were asked to feedback about the effectiveness of a project (such as housing providers, health, police, and borough officers). It was suggested that London Councils carry out regular reviews of pan-London services to ensure they ensure they add value to and do not duplicate borough provision, and be prepared to vary contracts if provision needs to be slightly remodelled.

3.6 VCS organisations felt that awareness of projects could be promoted more through presentations at Grants Committee and relevant officer networks, more visits in which members and officers were invited and events with relevant borough officers (such as children's services, housing departments etc.).

3.7 Respondents have suggested a stronger requirement for providers to work with borough officers in the planning of services, once funding has been awarded, for example through scoping meetings and a menu of options for each borough. In terms of housing officers, it was suggested that a useful point of contact should be the sub-regional groups (such as the South East Housing Partnership). It was also suggested that linking into regional structures was important such as the Mayor's Rough Sleeping Group. VCS organisations welcomed a strengthened relationship and have suggested ideas such as shadowing and sharing of knowledge about emerging need. In terms of priority 2 projects it was felt that connection should be made with local boroughs and existing structures like the governing VAWG strategy group for each borough, MARAC, IDVA. DV action forum, safeguarding adults partnership board and other borough based VCS.

3.8 In reviewing these options, officers are mindful that potential changes to the framework need to match the resources available to administer them. In addition resources spent by voluntary organisations need to be proportionate so that there is not an unreasonable level of resources diverted from the delivery of services. The capacity of relevant borough officers also needs to be kept in mind and this can vary across London.

3.9 In terms of addressing these issues to date, borough officers have been involved in responding to the two consultations which contributed to the priority setting process. Boroughs have been involved in the co-production of service specifications through focus groups, phone calls and email input. Through this process borough officers from the relevant borough officers networks fed in their views with regards to the draft specifications and in particular the outcomes. This process was aimed at ensuring the outcomes set out the specifications are SMART, robust and do not duplicate the activities and duties of boroughs. Boroughs have been involved in the scoring process with nearly every application being jointly scored by a relevant borough officer and a London Councils officer. Borough officers from the relevant borough officer networks have been invited to meetings to review the applications, alongside representatives from the GLA/ MOAPC. This enhanced role is reflected in the triangulation approach outlined in the new draft commissioning performance management framework included as **Appendix One** and a summary of the changes is provided below in section seven.

4 Value for Money

4.1 Local authorities have a duty to "make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness" under the Local Government Act 1999 [4]. The Social Value Act requires those who commission public services, to consider wider value, including social value.[5] Through the commissioning of services on behalf of the boroughs, London Councils ensures value for money (including social value) through the performance management framework, which outlines its approach to commissioning services. Through commissioning voluntary and community organisations, the programme effectively achieves the outcomes for individuals that have been agreed by boroughs, as these organisations are often best placed to achieve these outcomes. The triangulation approach, which involves boroughs and other key stake holders ensures the efficient and effective use of resources. The performance management framework also includes measures which ensure the best economic use of resources invested in the programme by the boroughs (RAG rating, risk based approach).(please see **Appendix One** for further details on these issues).

4.2 Officers have sought to enhance these aspects of value for money as part of the Grants Review. During the specification development process outlined in the body of the report, officers have sought the views of relevant borough officers, VCS, funders and other stakeholders with regard to measuring value for money. Officers have also approached the Cabinet Office's Centre for Grants Excellence, for information on best practice in this area.

4.3 Officers sought information on what is widely used so that this could be used as a benchmark for what could be included or enhanced in the performance management framework to deliver 'the optimal use of resources to achieve the intended outcomes'. There was also a wide range of methods used to measure and ensure value for money. Reponses can be grouped under the following headings as outlined above.

- **Economy**: minimising the cost of resources used or required (inputs);
- **Efficiency**: the relationship between the output from goods or services and the resources to produce them; and

---

[4] Section 3 of the Local Government Act 1999 (as amended by s137 of the Local Government & Public Involvement in Health Act 2007).
[5] Public Services (Social Value) Act 2012

- **Effectiveness**: the relationship between the intended and actual results of public spending (outcomes)[6]

4.4 Table one provides a number of examples provided by London boroughs, VCS and other funders. These are arranged using the categories above of economy, efficiency and effectiveness and are listed against the stages of the framework (design, award etc). The table does not cover all the examples provided, but covers the key ones and illustrates the fact that there are a large number of different measures used. In terms of frequency of responses, robust outcomes were mentioned the most frequently, as well as intelligence-led commissioning. Payment by results was described by two boroughs but was generally was not used. It was felt that this was not suitable given the highly vulnerable nature of service users that are affected by multiple issues and the desire for commissions not to 'cherry pick' those that are most likely to hit an outcomes target, as well as the fact that (for the sexual and domestic violence sector) service providers are not of a size and capacity that could withstand the financial insecurity of payment by results. Table two includes the measures currently used by London Councils and (in bold) additional areas to be strengthened.

---

6 National Audit Office

Table one – examples of value for money measures provided by boroughs and other stakeholders

	Economic – (minimising cost)	Efficient – (resources against output)	Effective – (quality)
Stage 1: Design		Avoiding duplication of statutory and local voluntary services.	Services designed to integrate or work jointly with other local and regional organisations to ensure improved outcomes Clear targets groups set. Evidence based commissioning. Aligning contract length with targets.
Stage 2: Application, Award	Costs questioned at meetings at the application/ award stage.	Robust tendering process, measures efficiency of applications. Unit costs assessed (balanced with the fact that some service users with complex needs require more resources to support)	Competitive tendering to ensure the best application is chosen that can best deliver the outcomes. Lowest cost is not necessarily the best value for money. Relationship setting/ maintaining – being clear that providers are delivering commissioned services against specified targets. Social impact and added value assessed Ensuring that services are embedded / aligned with other relevant services, in terms of access, referral routes, casework and marketing or publicity
Stage 3: Delivery and monitoring	Minimising costs of delivery (using VCS venues etc.) Proportionate/capped overhead costs Contract value reduced year on year. Staff with community languages (saving time and interpreter costs)	Having a unit cost. Attracting in additional funding. Payment by results. Monitoring/evaluating requirements that are proportionate to the delivery of agreed outcomes to maximise outcomes delivery.	Monitoring of commissions against SMART outcomes targets and agreed levels of delivery, including KPI dashboards De-commissioning/ withholding payment from commissions that are not successfully delivering the agreed outcomes. Effective monitoring and measuring of impact. Benchmarking against similar organisations. Ensuring consistent and quality of service provision. Service user involvement in the continuous review and adaptation of service.

	Standard, sector wide approved costs (such as salary grading in line with NJC) Procurement policy – regular review of suppliers using market comparison		Effective targeting of services and effective signposting where services are not relevant. Customer/ service user feedback in monitoring returns. Social Impact Bond (SIB) - social investors taking the risk associated with uncertainty around expected outcomes achievement. Measurement of Social Impact Value/Social return on Investment SROI Beneficiary satisfaction surveys. Virtuous circle – service users who have been helped go on to become volunteers. Holistic services and provision of a sufficient length to allow recovery and therefore the people worked with are less likely to take up future services. Quality Frameworks such as the Ministry of Justice Quality Framework: Getting it Right for Victims
Stage 4: Evaluation and review			Independent evaluation Insights tool, developed by SafeLives

Table Two – London Councils Commissioning Framework measures (areas to be strengthened/ introduced in bold)

	Economic – (minimising cost)	Efficient – (resources against output)	Effective – (quality)
Stage 1: Design		Co-production of specifications with boroughs and other stakeholders to avoiding duplication of existing local/ regional services.	Co-production of specifications with boroughs and other stakeholders to - Design services that fit well with local provision to ensure improved outcomes - Clear robust outcomes. Specifications cover needs assessment, indicative borough service levels and equalities sections to ensure services are targeted to where there is need.
Stage 2: Application, Award	Budgets assessed as part of the application process. Budgets reviewed and amended as part of the Grants Agreement Process. Projects funded over a number of partnerships asked to review costs to check for any shared cost savings. Partnerships encouraged in order to reduce costs in shared resources.	Robust tendering process, measures efficiency of applications. **Enhanced questions on Value for Money in application stage.** Due Diligence checks carried out to measure the risk of funding each organisation (such as grant v turnover ratio) and measures introduced for any that do not fully meet the criteria. **Enhanced Due Diligence checks, reviewing more than one set of accounts.** Unit costs reviewed (balanced with the fact that some service users with complex needs require more resources to support)	Competitive tendering to ensure the best application is chosen that can best deliver the outcomes. Lowest cost is not necessarily the best value for money. Grant agreement process, including meetings to ensure expectations are clear. **Grant agreement process - Ensuring that services are embedded / aligned with other relevant services, in terms of access, referral routes, casework and marketing or publicity** Encouragement of partnerships to ensure best outcomes for service users, utilising a range of specialist support. Applications assessed to ensure they work to quality standards such as sector specific ones. **Steering joined up work between priorities 1 and 2 and 1 and 3, creating improved outcomes for service users by addressing multiple need using the knowledge of different providers.**

Stage 3: Delivery and monitoring	Review of budgets Capped overhead costs Review of Section 37 Statement in accounts and reclaiming of any unspent grant. Sustainable development policy checked at monitoring visits (saving costs on energy etc) **Review Procurement policy at monitoring visits and check there is regular review of suppliers.**	**Asking on an annual basis what other funding has been levered in as a result of London Councils funding.** Monitoring/evaluating requirements that are proportionate to the delivery of agreed outcomes to maximise outcomes delivery.	Monitoring of commissions against SMART outcomes targets and agreed levels of delivery Reducing payment from commissions where there has been significant non-delivery of agreed outcomes. **RAG scores including delivery against target and service users satisfaction surveys, used to determine risk based monitoring.** Monitoring visits undertaken to review information and view delivery (including speaking to service users). **Requiring organisations to show how service users have been involved in the continuous review and adaptation of service.** **Increased reporting and involvement of relevant borough officer networks and regional stakeholders to ensure delivery continues to complement local and regional provision.** **Sampling methodology – which is agreed with boroughs and with input from GLA.**
Stage 4: Evaluation and review			All boroughs and other stakeholders encouraged to respond to consultations on the review of the programme. Some commissions have included social impact value in the review of their commissions. Grants Review – Statutory requirement to assess need periodically

5 **The Cabinet Office's Grants Efficiency Programme (GEP)**Officers have sought the advice of the Cabinet Office's Grants Efficiency Programme (GEP) on their tools for measuring value for money. There are a number of toolkits which they have kindly shared. Some key points include,

- Ensuring any value for money indicators are included at the grant inception to ensure accurate and consistent monitoring of these.
- Tools for evaluation
- The importance of measuring economy, efficiency and effectiveness

6 **Audit Recommendations**London Councils receives regular audit visits from internal and external auditors. The Corporation of London auditors have undertaken two audits which directly inform the review of the commissioning performance management framework. As mentioned above an internal audit was undertaken by the Corporation of London in January/February 2014. The audit recommended that for applications seeking funding over £1m per year that two references be sought. This has been added to the revised performance management framework in the Due Diligence table **(Appendix One)**.

6.2 On 22 September 2016, London Councils Audit Committee received a report from the Corporation of London's internal auditors with recommendations from their recent audit.. The review concluded that, generally, there is a satisfactory level of control over: checking and assessing applications for funding; monitoring project progress to agreed outcomes; and assessing performance and the achievement of value for money. The general monitoring framework, in place, is sound; however, scope exists to improve the processes for checking the financial stability of organisations prior to and during funding. (For example, obtaining three sets of accounts for applicants at application stage; increasing the number of financial checks undertaken on accounts in response to the following the closure of Eaves Housing For Women charity; and logging checks made on the GIFTS system). These additions have been added to the revised performance management framework in the Due Diligence table **(Appendix One)**.

7 **Recommended changes to the commissioning monitoring framework 2017-21**

7.2 Officers have reviewed the comments and have attempted to reflect both the differing requests and the need to balance increased levels of liaison with boroughs and monitoring

with the need to keep these elements proportionate and without diversion of too much resource away from direct service provision.

7.3 The following list provides a summary of the proposed changes to the performance management framework, which have been included in the revised version in **<u>Appendix One.</u>**

- Additional/ enhanced value for money measures
  - o Covering the three 'E's Efficiency, Effectiveness and Economic
  - o Enhanced elements outlined in table two above (in bold), ensuring any new measures are embedded at the grant inception.
  - o Enhanced checks that have been recommended following the internal audits outlined in section six.
- Improved borough liaison/ reporting / involvement to avoid duplication, ensure effective fit with local services and provide scrutiny to commissions
  - o Improved quarterly reporting to Grants Committee and relevant officers groups , including presentations (including Housing Directors, Housing Needs and Homelessness Group, Safeguarding Coordinators, Heads of Community Safety and the MOPAC convened VAWG Coordinators.
  - o More clarity on who to contact at London Councils when raising a query or concern.
  - o More presentations by projects at Grants Committee, relevant officer groups
  - o More frequent Chair visits to projects in which members are relevant officers are invited.
  - o Service areas 1.3 and 2.5 to support the relationship between boroughs and providers, including keeping contacts up to date and support the promotion of services (relevant contacts include, IDVAs, MARACs, safeguarding leads, regional structures (such as the Mayor's rough sleeping steering group), Housing Needs and Homelessness Network, VAWG Coordinators, DV action forum, safeguarding adults partnership board, governing VAWG strategy groups and locally based VCS – in particular specialist VCS)
  - o Build on the increased role of borough officers in the commissioning process, during the grant agreement and delivery phases. Including a requirement for providers to work with relevant boroughs to plan their services (including sub-regional housing leads, and VAWG Coordinators).
  - o Evaluation during the programme, including surveys of borough officers annually.
- Ensuring services reflect need and ensuring robust relevant outcomes

o   Review of need at a mid-way point in the programme (in the second half of year two) to ensure services remain responsive to need and outcomes remain relevant. (ensuring grant agreements reflect this)

Recommendations

Members are asked to,

1. Note the summary of the implementation of the Commissioning Monitoring Arrangements framework (CMA) to date and the progress of the CMA (and alterations) in successfully addressing the issues which led to its creation (as previously reported) as considered by members in July 2016.
2. Note the issues raised in the Grants Review 2015-16 and the follow up work officers have taken to scope the range of ways to address these issues with borough officers and other stakeholders including the GLA and The Cabinet Office's Grants Efficiency Programme (GEP) .
3. Discuss the draft new Commissioning Performance Management Framework provided for comment in **Appendix One.**. A final version will be provided at the Grants Committee, 8 February 2017.

Appendices

Appendix One Draft new Commissioning Performance Management Framework

Background Papers

Grants Committee, February 2013, Commissioning Monitoring Arrangements

Grants Committee, March 2016, Grants Programme 2017-21

Grants Committee, July 2016, Commissioning Performance Management Framework

Legal Implications

There are no specific legal implications with the report.

Equalities Implications

The Grants Programme Commissioning Monitoring Framework outlined in this report covers equalities monitoring. Commissions are required to submit equalities monitoring and an annual review is undertaken to assess the equalities impact at a programme level.

Financial Implications

There are no financial implications within this report.