

# Grants Committee

## Commissioning Performance Management Framework

Item no: 5

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### Summary

This paper sets out how London Councils will monitor and manage the performance of commissioned projects. It builds on the Commissioning Monitoring Framework agreed by members of the Grants Committee at their meeting 20 February 2013 and further additions agreed at subsequent meetings. It includes new and enhanced elements drawing on members' suggestions and the evidence gathered as part of the Grants Review 2015-16 and follow up work, including audit recommendations. The primary aim of the approach is to provide the Grants Committee the assurance it requires regarding the effective delivery of commissioned outcomes.

The report covers four distinct phases of the commissioning process:

1. Design
2. Application, assessment, awards and agreements
3. Delivery
4. Programme Closure and evaluation

A draft of this report was considered by members of Grants Committee at their meeting 23 November 2016, and revisions to the report are summarised in paragraph 1.4 and Table A.

### Recommendations

Members are asked to

- Note the cycle of reporting to the Grants Committee as outlined in sections three to six. Reports will include periodic progress updates and an annual cycle of reviews.
- Note the amendments to the Commissioning Performance Management Framework considered by members of the Grants Committee at their meeting 23 November 2016, including clarity on issues around due diligence, a glossary and increased focus on equalities, as outlined in paragraph 1.4 and Table A.
- Agree to adopt the revised Commissioning Performance Management Framework as policy of this committee.



# Commissioning Performance Management Framework

## 1. Background

- 1.1 London Councils administers public funds on behalf of the boroughs and it is therefore essential that grants given by London Councils show transparency and value for money through scrutiny and evaluation of funding. A Commissioning Monitoring Framework was agreed by members of the Grants Committee at their meeting 20 February 2013 and further additions were agreed at subsequent meetings.
- 1.2 From July 2015 to March 2016 London Councils undertook a Grants Review seeking the views of London borough members and relevant officers as well as other stakeholders. The review sought views on the programme including elements of performance management. These have been taken forward with further work with borough officers and research with other funders and the cabinet Cabinet Office's Centre for Grants Excellence.
- 1.3 This paper sets out a revised model of how London Councils will monitor and manage the performance of commissioned projects ensuring the delivery of commissioned outcomes against service specifications developed with the London boroughs and agreed by Grants Committee. It builds on the previous framework and includes new and enhanced elements drawing on members' suggestions and the evidence gathered as part of the Grants Review 2015-16 and follow up work, including audit recommendations. The primary aim of the approach is to provide the Grants Committee the assurance it requires regarding the effective delivery of commissioned outcomes.
- 1.4 A draft of this report was considered by members of Grants Committee at their meeting 23 November 2016. A report was provided alongside the draft report outlining issues that were raised in the Grants Review 2015-16 and how these are embedded in the new framework. Members requested a number of changes be made to the report as follows. Table A below provides details of the changes that have been made. Additional minor amendments have been made to assist clarity.

Table A

Amendments	Section amended
Glossary requested, in particular around abbreviations	Glossary added at the end of the report.
A clear definition of what 'not for profit' means, as there were a number of new charitable structures with different	Table one amended to provide clarity on this issue.

governance arrangements.	
Scrutiny of qualified accounts	Reflected in Table One: Due Diligence checks
Equalities elements strengthened	In addition to existing equalities considerations in the report the following paragraphs reflect a strengthening of the approach (4.3, 4.7, 5.12, 5.16, 6.24, 6.59, 7.13)

## 2 Introduction

2.1 London Councils plays a key role in working with the London boroughs and voluntary organisations to find London wide solutions to the key issues affecting the city. Each of the 32 London boroughs and City of London pay for the commissioned projects.

2.2 In March 2017 London Councils Leaders' Committee agreed new Priorities for the 2017-21 Grants Programme. These covered three priorities:

1. Combatting Homelessness;
2. Tackling Sexual and Domestic Violence;
3. Tackling Poverty through Employment (ESF match funded)

2.3 Organisations have been asked to make an application against nine service specifications across Priority 1 and Priority 2 agreed at the July 2016 Grants Committee. Priority 3 works on a slightly different timetable due to the ESF match funding and these commissions were agreed July 2016. Each service specification contains standard outcomes with suggested outcome measures and types of activities (outputs). Applicants are expected to demonstrate how they will meet the requirements of each specification with a particular focus on the delivery of commissioned outcomes.

2.4 The proposed performance management arrangements contained in this paper are designed to give the Grants Committee confidence 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 tax-payer and mitigates potential risks (such as the impact of financial viability of organisations delivering commissions).

2.5 They are also designed to ensure that the services are delivered to the people who need them and, and as importantly, to let people know about the successes when the service improves lives and creates opportunities for people to succeed in future.

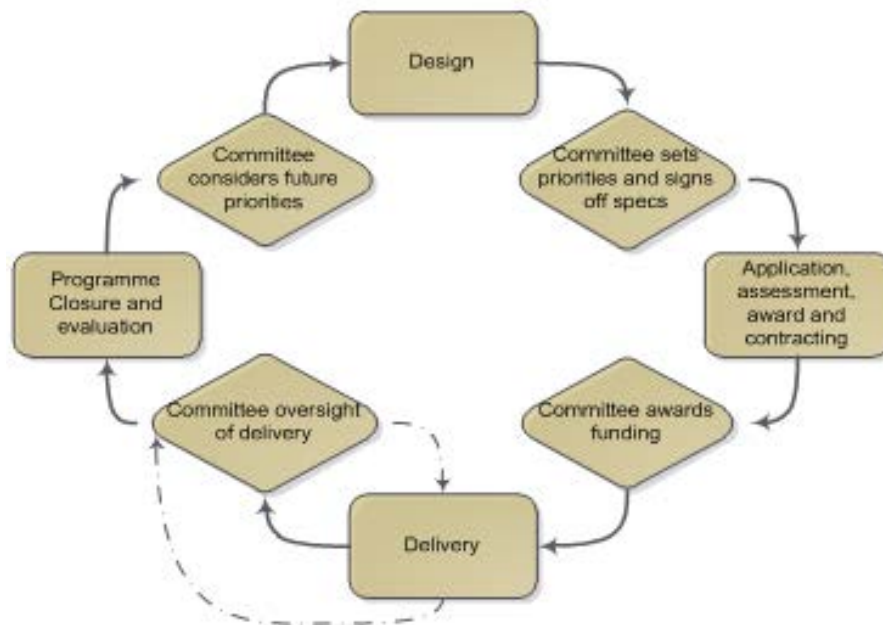
2.6 The commissioning process is a cyclical activity. Proper monitoring and control is built into each stage of the cycle. This paper covers each stage of this process:

1. Programme design<sup>1</sup>
2. Application, assessment, awards and agreements;
3. Delivery;
4. Programme closure and evaluation;

This reflects the typical commissioning cycle used throughout the public sector: Analysis (need) Development (market), Procurement (meet need), Delivery (services), Review (quality and impact on needs).

2.7 There are four stages in the framework – see Figure One.

Figure One: Commissioning Performance Management Cycle



2.8 For each stage of the cycle, the report will describe the proposed performance management systems and processes, highlight what they are designed to do, assign roles and responsibilities and describe reporting arrangements.

### 3 Overarching Themes

#### 3.1 Regularity, Propriety, Value for Money

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<sup>1</sup> This stage would normally be covered first in a report of this nature. However, given the timing of this report, coming during the assessment stage, it will be covered last.

As outlined above London Councils Grants Programme administers public money on behalf of, and with, the London boroughs and there is therefore a need to ensure regularity, propriety and value for money.

Regularity can be described as being compliant with the relevant legislation (including EU legislation), delegated authorities and relevant policies and guidance (for example the Grants Committee Terms of Reference and internal policies and procedures governing the actions of London Councils officers). Propriety can be described as meeting high standards of public conduct, including robust governance and the relevant expectations of elected representatives, especially transparency. These are in line with central government guidance<sup>2</sup> on the use of public funds and run as a continuous thread throughout the procedures set out in this report.

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”<sup>3</sup> Through the commissioning of services on behalf of the boroughs, London Councils ensures value for money through the performance management framework, which outlines its approach to commissioning services. Value for money is deemed as the optimal use of resources to achieve the intended outcomes. The model focuses on three ‘E’s as outlined in figure two below.

- **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
- **Effectiveness:** the relationship between the intended and actual results of public spending (outcomes)<sup>4</sup>

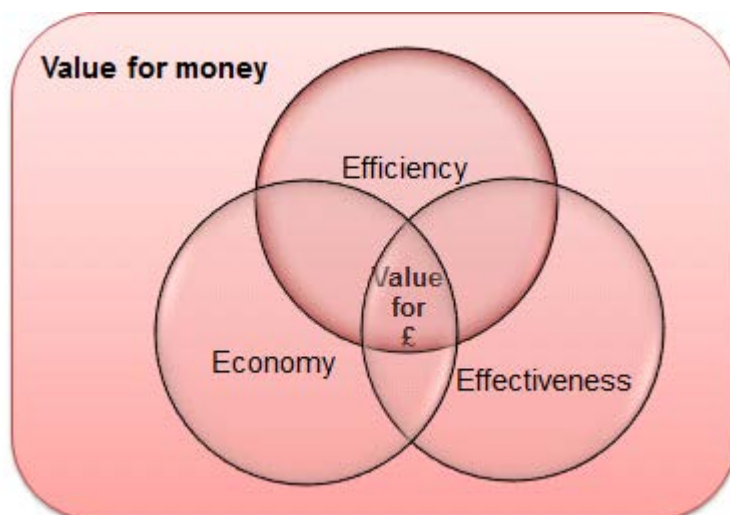
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<sup>2</sup> *Managing Public Money*, HM Treasury, July 2013

<sup>3</sup> Section 3 of the Local Government Act 1999 (as amended by s137 of the Local Government & Public Involvement in Health Act 2007).

<sup>4</sup> National Audit Office

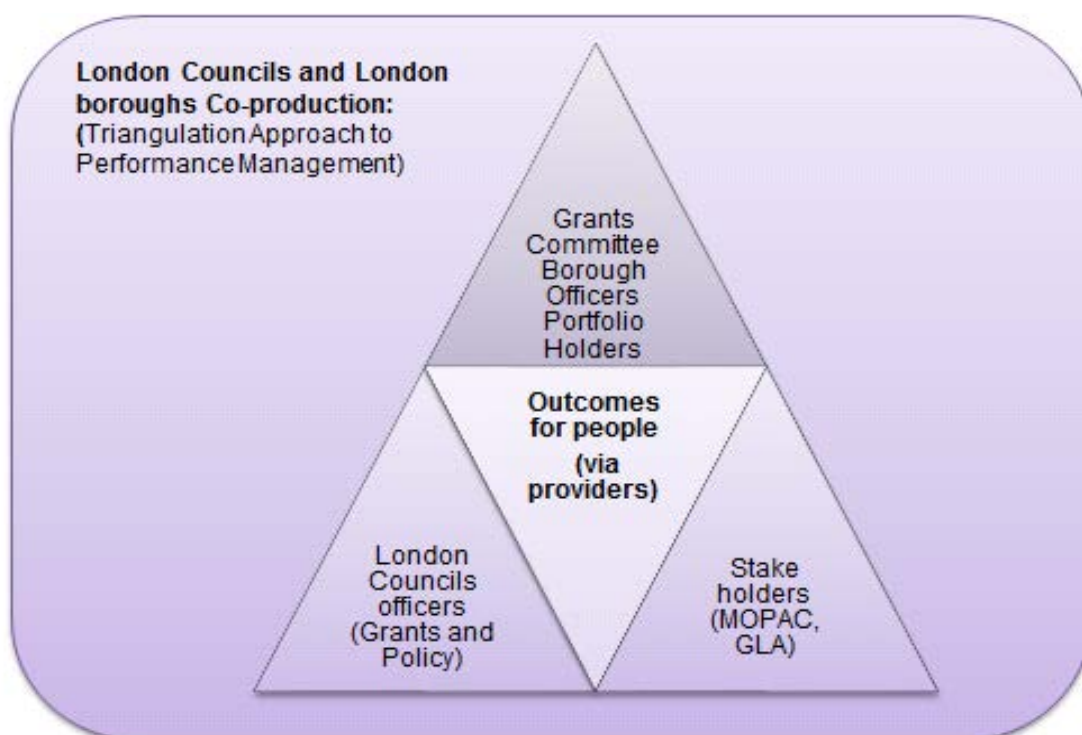
**Figure Two:** Value for Money



### 3.2 Co-production/ Triangulation

Throughout each stage of the process the involvement of boroughs members and relevant borough officers networks (such as the Housing Needs and Homeless Network and Violence Against Women and Girls Coordinators), London Councils officers and other stakeholders (GLA, MOPAC, other funders) ensures a robust approach to performance management which reflects a knowledge about local areas and service areas. This triangulation approach underpins the commissioning cycle. Figure three outlines this triangulation approach.

**Figure Three:** Triangulation Approach to Performance Management



### **3.3 Risk Based Performance Management**

In line with the three values of regularity, propriety and value for money the framework is based on a risk-based approach with levels of performance management varied depending on levels of risk. Officers use a number of measures including RAG (red, amber, green) scores and due diligence findings to apply a risk-based approach to performance management. This approach ensures that officers prioritise resources to parts of the programme that present a greater level of risk. It provides the most efficient use of officer resources to ensure the programme delivers against the principles and priorities set by Grants and Leaders' Committee and within the non-grants allocation of the budget agreed by Leaders' and Grants Committee. Further detail relating to this approach can be found in sections five and six.

## **4. Stage 1: Design**

- 4.1 Section 48 of The Local Government Act 1985 includes a requirement to review need in London in relation to the Grants Programme. London Councils Grants Committee resolved at their Annual General Meeting in July 2015 to undertake a review to inform future decisions by Grants and Leaders' Committee as to the continued delivery of a pan-London grants programme under the Grants Scheme at the conclusion of the current programme.
- 4.2 The review followed the earlier review of commissions which was considered by Grants Committee in November 2014 and focused on how effective, economical and efficient current commissions were. The Grants Review which took place between July 2015 and March 2016 included the consideration of a wide range of evidence including research, evidence relating to the 2013-17 Programme two public consultations, a report that Homeless Link was commissioned to produce and an event focused on sexual and domestic violence with borough officers and members.
- 4.3 At the point of reviewing the principles and priorities of the programme, a review of equalities information was undertaken. This was essential to inform members in taking any decisions to change the principles or priorities in terms of potential impact and mitigation, and to fully take account of the Public Sector Equality Duty as set out in the 2010 Equality Act. The principles of the Grants Programme set out a commitment to commission services that work with statutory and non-statutory partners to meet the objectives of the Equality Act 2010. The priorities of the Grants Programme agreed by Leaders' Committee have a strong equalities focus as they impact the most disadvantaged in society and are areas that are overrepresented by particular equalities groups. In addition, the priorities focus on issues that are difficult for boroughs to address at a local level (due to small numbers per borough and in some cases relate to people moving across London to flee violence).



4.4 Leaders' Committee, at its meeting in December 2015, agreed that the Grants Programme would continue to be underpinned by the same principles agreed by boroughs in a review of the Programme 2012 as they remained valid. The current grants programme operates on the basis that each of the priorities identified for funding must meet all the principles and it was proposed that this continue.

Principles
1. Commissioning services that deliver effectively and can meet the outcomes specified by London Councils, rather than funding organisations.
2. Commissioning services where there is clear evidence of need for services that complement borough and other services to support organisations that deliver services.
3. Commissioning services where it is economical and efficient to deliver services on a London wide basis or where mobility is key to delivery of a service to secure personal safety.
4. Commissioning services that cannot reasonably be delivered locally, at a borough or sub-regional level.
5. Commissioning services that work with statutory and non-statutory partners and contribute to meeting the objectives of the Equality Act 2010.

4.5 The Grants Review concluded in March 2016 and, following recommendations from Grants Committee, Leaders' Committee considered a report on the future London Councils Grants Programme at their meeting 22 March 2016. Leaders agreed, that there should be a Grants Programme from April 2017 to March 2021, operating in accordance with the current principles and focused on the following priorities -

Priority 1 Combatting Homelessness

Priority 2 Tackling Sexual and Domestic Violence

Priority 3 Tackling Poverty through Employment (European Social Fund match funded)



**London Councils and London boroughs Co-production: (Triangulation Approach to Performance Management)**

London boroughs (and other key stakeholders) were invited to respond to public consultations on the priorities and service areas. Officers worked with boroughs on the development of the service specifications to ensure the services outlined would work well with local services and meet a need that is best served on a pan-London basis.



**Value for Money (the three 'E's):** Through involving the boroughs and other key stakeholders (GLA/MOPAC) in the co-production of the specifications, officers ensure the specifications do not duplicate existing local and other regional activities and duties (Efficient) and contain clear and robust SMART outcomes and targeted services (Effective) addressing the needs identified. The Grants Review 2015-16 identified the need to link the areas of unemployment and homelessness and homelessness and domestic violence. Through commissioning services that address these interrelated needs more robust, sustainable outcomes are achieved for service users (Effective).

**4.6 Using the body of evidence from the Grants Review officers drafted outline service areas.**

These draft service areas were then used to co-produce full specifications with the relevant borough officer networks and other key stakeholders such as the GLA/ MOPAC and voluntary and community organisations and through research on needs, equalities, delivery models and relevant policies. This reflects the triangulation model outlined in Figure Two above. At its meeting of 13 July 2016 Grants Committee agreed the nine specifications for services to be delivered from April 2017 to March 2021.

**4.7 Specifications highlight particular equalities groups to focus on where they are**

disproportionately affected by particular issues, or because they are groups that typically do not go through the local authority route, or need support to do so. Specifications also contain robust, SMART, standard outcomes, which all recommended commissions must

demonstrate. These include outcomes focused on people within the nine protected characteristics.

## **5. *Stage 2: Application, Assessment, Awards and Agreements***

5.1 The purpose of the application, assessment, awards and agreement stage is three-fold. First, the Grants Committee will be asked to approve a package of provision that meets the principles and priorities set out in the project specifications, delivers commissioned outcomes and which provides value for money. To do this they will have to be confident that the bidding and assessment process has been properly conducted. Second, the Grants Committee will require assurance that the organisations recommended for funding have the resources, capabilities and proper governance to deliver successfully. Third, the Grants Committee must have the means to hold organisations to account. For this to happen, the relationship between London Councils and funded organisations has to be underpinned by a robust grant agreement.

5.2 In many respects, this is the most important stage of the monitoring cycle as it sets the parameters for every other stage. Therefore, the following sections set out in detail how the application, assessment, awards and agreement process will operate.

### **Application and Assessment**

5.3 An application round was undertaken between August and September 2016 following the conclusion of the Design Stage. The application process is open and competitive. All applicants are required to submit their bids using a standard application form on London Councils on-line system. Guidance is provided via an online portal and applicants are able to view the scoring criteria matrix. In addition frequently asked questions are included on the website and updated based on the questions received. The use of a standard application form allows London Councils to collect the information required to assess applications, make direct comparisons between each applicant, and ultimately, recommend a package of provision that will deliver commissioned outcomes.

5.4 Once received, applications are logged and saved the London Councils database software GIFTS. This provides an audit trail for this stage of the process. The GIFTS system also allows grants officers to produce reports that can be used to assist the awards process.

5.5 Once the applications have been logged and saved on to GIFTS, the process of assessment is undertaken. There are several ways in which the scoring process has been designed to give members confidence that it is undertaken in a robust manner.

5.6 First, London Councils recognises the importance of local borough officer knowledge to ensure that recommended projects fit well with and do not duplicate existing local services and duties. In order to use this knowledge in the scoring process, borough officers are invited to participate in scoring and assessment based on their functional areas of expertise:

- Borough co-ordinators for the sexual and domestic violence specifications
- Housing Officers for the homelessness specifications, and
- Regeneration Officers for the poverty specifications

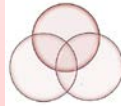
London Councils also recognises the importance of ensuring that services complement and do not duplicate those commissioned by the GLA. For this reason GLA officers from the relevant departments are invited to participate in the scoring and assessment as well.



**London Councils and London Boroughs Co-production (Triangulation Approach to Performance Management)**

Scoring is undertaken by London Councils officers and relevant borough officers (housing managers and sexual and domestic violence leads). Joint scoring ensures learning in both directions about the pan-London programme and local issues and ensures that services fit with local provision with clear referral pathways and

5.7 Second, officers score against a standard criteria that measures bids against ability to deliver outcomes, value for money, ability to complement local delivery, accessibility of the service, and criteria relating to the quality of the work and experience and sustainability/stability of the organisation, amongst others. All officers (whether London Councils, borough or GLA) are provided with scoring guidance which emphasises the principles of the 2017-21 Grants Programme.



**Value for Money (the three 'E's):** Officers assess a range of issues when making a judgement about whether an application offers value for money. These include the numbers of service users, outputs and outcomes against the value of funding requested, costs outlined in the proposed project budget (Economic, Efficient). Also important are elements of quality including service user involvement in the design of the service to ensure it effectively addresses need, joined up services that avoid service users falling between the gaps and thereby securing better outcomes for them. Also that relevant sector quality standards are adhered to (Effective).

5.8 Third, the systems used by London Councils allow for direct comparison of one application against another. All applicants are required to answer a set of questions, which are assessed using a scorecard that aids objective consideration of the application. The scorecard covers the following 11 areas:

- i. The needs of the target group (and how the service will address them)
- ii. Recruitment of beneficiaries (including links to boroughs and referral pathways)
- iii. How it delivers the principles of the 2017-21 London Councils Grants Programme
- iv. How the specification outcomes will be delivered (including how it will deliver these in different parts of London)
- v. How the specification activities (outputs) will be delivered
- vi. How the project will meet its equalities duties (mandatory: applicants must reach a scoring threshold to proceed)
- vii. Experience of delivering similar activities
- viii. The project plan (including risk management and partnership working)
- ix. The staffing and governance structure for the project
- x. How the project will be monitored and quality assured (including service user involvement).
- xi. The requested level of funding and assessment of value for money and financial management

5.9 Each bid is scored by two officers (in most cases a London Councils officer and a borough officer/ GLA officer). The two officers then undertake a joint score to come to an agreed score. Once scoring is completed for each specification, applications are ranked in score order<sup>5</sup> to form the basis of later recommendations to the Grants Committee. The scoring is weighted to emphasise the London wide requirement, partnership working and equalities as well the value for money of the proposal.

5.10 Fourth, London Councils officers meet to check that the scoring process has been carried out consistently and fairly across all specifications<sup>6</sup>. Where there is evidence of inconsistencies in the way the criteria have been applied, scores will be revised to ensure uniformity of approach. Once this process is complete, officers will draw up a list of initial funding recommendations based on score, target group and geographical coverage and value for money considerations.

5.11 Fifth, as a means to obtain further borough level involvement and involvement of key stakeholders, borough officers and GLA /MOPAC officers are invited to attend meetings for each priority based on their area of functional expertise<sup>7</sup>. At these meetings, borough officers will be invited to feed in their views of the way in which the scoring process has been carried out, provide feedback on the organisations being recommended and comment on the extent to which the package of support meets the objective of the 2017-21 Grants Programme and will deliver the commissioned outcomes<sup>8</sup>. This feedback will be used to inform the awards process (described below).



**London Councils and London boroughs Co-production: (Triangulation Approach to Performance Management)**

Relevant borough officers are invited to a meeting (one meeting per priority) to review the highest scoring applications. This provides the opportunity to look at the package of highest scoring applications against the specification to identify any issues or gaps.

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<sup>5</sup> Where other factors (due diligence checks, value for money considerations or feedback from borough officers) suggest that score order should be overridden by other published criteria, this will be shown.

<sup>6</sup> For the current round, these meetings took place in November 2016.

<sup>7</sup> For the current round, these meetings took place in November 2016

<sup>8</sup> Officers unable to attend will be able to feedback by correspondence.

5.12 Equalities considerations are a key part of the application and award process. Officers ensure that the process is fair, transparent and robust. This is done through the above mentioned standard criteria (published during the application round), use of borough officers in scoring and moderation and in providing a right to reply process. Officers also review targets groups served (in particular reviewing if target groups served by non-recommended application will be addressed by the recommended ones) and ability to deliver against the equalities elements of the service specifications. The application criteria contains a criteria focused on equalities considerations with a threshold score that applicants have to reach to be recommended. Applicants needed to demonstrate how they would ensure their services were accessible to people with any of the nine characteristics under the Equality Act 2010 as well as how they would further the objectives of the Act. The organisation's equalities policies are reviewed in combination when awarding a score against this criterion.

## Due Diligence

5.13 Alongside the scoring and assessment process, London Councils staff also undertake due diligence on the organisations being recommended for funding. These checks ensure that organisations have the financial, resourcing and governance strength required to deliver the priorities of the Grants Committee. Table 1. Due Diligence Checks sets out the checks that are undertaken. Where acceptance criteria for items 1-3 are not met, the organisation will not be recommended for funding.

Table 1. Due Diligence Checks

<b>Basic Eligibility Checks – carried out on all organisations:</b>			
<b>No</b>	<b>Acceptance Criteria</b>	<b>What to Check</b>	<b>Purpose</b>
1	Constitution allows the organisation to work pan-London.	Constitution.	To ensure the organisation's constitution allows it to deliver pan-London.
2	Constitution allows the organisation to deliver the activities outlined in the bid.	Constitution.	To ensure the organisation is constituted to deliver against the specification.
3	Constitution states the organisation is not for profit and constituted as a	Constitution.	To ensure the organisation is not for profit. (includes organisations such as social enterprises and

	voluntary or community organisation. <sup>9</sup>		other organisations that generate surpluses, as long as the organisation's governing documents show that the surplus must be reinvested. This must be reflected in the accounts of the organisation)
	Enhanced Checks – carried out on organisations being considered for funding:		
4	The Charity or Company is properly registered and the information provided by the organisation is correct.	Check the organisation's charity/company number on the Charity Commission/ Companies House website.	To ensure the organisation is who it says it is.
5	The Charity Commission and/or Companies House website indicates that all returns are up to date and have been received within statutory guidelines.	Charity Commission/ Companies House website.	To ensure the organisation is meeting its statutory obligations.  N.B. Where Charity Commission information is not up to date officers will be required to state this in their checks.
6	The organisation has provided accounts for the three most recent financial years. <sup>10</sup>	The accounts are for the three most recent years.	To ensure that the organisation produces proper accounts.
7	The certifying accountant has not raised any concerns and the accounts are not qualified. <sup>11</sup>	The certifying auditor's statement in the accounts.	To ensure that there are no concerns in the way the organisation prepares its accounts for inspection that might impact on London Councils' grant.
8	The trustees have not raised any concerns about the health of the organisation.	The trustees' statement in the accounts.	To ensure that the trustees do not have concerns about the future of the organisation that might impact on London Councils' grant.
9	The organisation's accounts show a positive net worth position.  (Where organisations have received London Councils funding previously officers	That the organisation's current assets are greater than its current liabilities as shown on the balance sheet in the accounts.	To ensure that the organisation is solvent.

<sup>9</sup> The legislation that governs the operation of the Grants Scheme does not allow funding to be awarded to public bodies such as NHS trusts, local authorities, state schools or colleges.

<sup>10</sup> The requirement has changed from one to three based on recommendations by the internal audit 2016.

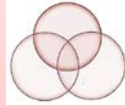
<sup>11</sup> Accounts are qualified when an auditor has reservations about aspects of the accounts and makes a note to this effect.



	should also check that the amount received has been properly disclosed and was used for the purposes intended)	To complete the check, officers subtract liabilities from assets and the result should be a positive number.	
10	The organisation's accounts show that total assets exceed total liabilities.	That the organisation's total assets are greater than its total liabilities as shown on the balance sheet in the accounts.  To complete the check, officers subtract liabilities from assets and the result should be a positive number.	To assess long-term solvency.
11	The grant to turnover ratio does not exceed 25%.	Officers divide the grant requested by the revenue (turnover) figure listed on the organisation's statement of income and expenditure as shown in the accounts.	To ensure that London Councils' grant does not represent such a high proportion of the organisation's income so as to represent a risk to the organisation or to London Councils.
12	That the organisation's current year and next year's budgets indicate that the grant to turnover ratio will not exceed 25% over the period.	Officers divide the grant requested by the revenue (turnover) figure listed on the organisation's projected income as shown in the budgets.	A forward looking check to ensure that London Councils' grant does not represent such a high proportion of the organisation's income so as to represent a risk to the organisation or to London Councils.
13	Additional financial solvency checks as outlined in paragraph 5.17.	Audited Accounts	To safeguard London Councils funding by assessing a range of indicators that could point towards an organisation having/ about to have solvency issues.
14	Lead partners provide an annual statement confirming the financial viability of delivery partners	Annual partners viability Statement	To safeguard London Councils funding by ensuring lead partners have checked the financial viability of delivery partners
15	The organisation has an	The policy.	That the organisation has a codified approach to meeting its

	equal opportunities policy.		equalities duties.
16	The organisation has a health and safety policy.	The policy.	That the organisation has a codified approach to meeting its health and safety duties.
17	The organisation has a safeguarding policy (Applicable for organisations working with children, young people or vulnerable adults only).	The policy.	That the organisation has a codified approach to meeting its safeguarding duties.
18	The organisation has a sustainability policy	The policy or a letter confirming the organisation's commitment to produce a policy within a year of award.	That the organisation has a codified approach to meeting its sustainable development duties.
19	The organisation has employer's liability insurance of at least £10m.	The policy.	That the organisation is ensured for claims against it by employees and that any such claims will not impact on the organisations financial health and ability to deliver the specification.
20	The organisation has public liability insurance of at least £5m.	The policy.	That the organisation is ensured for claims against it by users and that any such claims will not impact on the organisations financial health and ability to deliver the specification.
21	Reference from named referee does not highlight concerns with the organisation.  (For organisations applying for funding over £1m per year two references are sought). <sup>12</sup>	The reference letter or email from referee.	To obtain third party assurance that the organisation is reputable.

<sup>12</sup> The request for two references is in response to an internal audit recommendation 2014.



**Value for Money (the three 'E's):** Due Diligence checks are designed to provide confidence to Grants Committee that all reasonable action has been taken to assess (and where necessary mitigate) any risks associated with the financial viability and stability/sustainability and capacity of providers. (Economic)

5.14 Officers will note by exception to the Grants Committee the findings of the due diligence checks that have been undertaken. Where organisations fail due diligence checks, officers will suggest steps that could be undertaken to overcome any issues identified. This should allow members flexibility to consider awarding funding to new organisations who may not be able to pass all of the due diligence requirements initially, but who the Grants Committee consider are a good fit with the programme's objectives, if they can provide a credible plan for meeting due diligence requirements within a specified time of being awarded funding. Also in situations in which Grants Committee may wish to consider an organisation that is working in a niche area and is the only specialised service to do so, but requires further checks/ reassurances/ and plans to meet the due diligence checks.

## **Awards Process**

5.15 The awards process will be undertaken following the completion of the application, assessment and due diligences phases. Officers will report the outcome of the assessments and due diligence process and make recommendations to the Grants Committee on which organisations to fund.

5.16 The report will list which organisations are being recommended for funding and give due regard to how the recommendations will enable the 2017-21 Grants Programme to meet the commissioned outcomes listed in the specifications. The report will include annexes which will include a full ranked list of organisations and their scores against each specification. The report will also include value for money assessments of each of the recommended commissions and relevant demographic information to suggest whether the recommended providers will enable London Councils to fulfil its equalities targets. Members will be advised on whether the applications address the service specifications fully, including equalities considerations.

5.17 The report will be provided to the chair of the Grants Committee, the Lead Member for Equalities, the strategy director, EI and community services and the director of corporate resources. Their comments will be noted and where necessary, the report amended before sign off by the strategy director. It will cover the following areas:

- i. Introduction
- ii. Summary of applications received and recommended projects
- iii. Assessment
- iv. Equalities
- v. Value for money<sup>13</sup>
- vi. Addressing of issues raised in review of the programme<sup>14</sup>
- vii. Recommendations
- viii. Full recommended list
- ix. Full non-recommended list

5.18 Once sign off has been given to the initial recommendations, the Grants Committee and applicants will be informed of these<sup>15</sup>. Members will be informed of the recommendations in advance of Grants Committee and all applicants will then be given 10 working days within which to exercise a right of reply.

5.19 The guidelines for the right of reply allow organisations to suggest where they consider officers have:

- i. Misinterpreted information submitted with their application
- ii. Given an incorrect weighting to information submitted
- iii. Ignored relevant information

5.20 Officers will consider the right to reply responses received and update the recommendations as appropriate. The Grants Committee will be provided with a summary of officer responses to each right to reply. Where the Grants Committee considers that the right to reply process should change the recommendations contained in the initial report, due regard will be provided to the financial implications of proceeding in this way.

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<sup>13</sup> This is based on the three 'E's outlined section three (efficiency, effectiveness and economy), a unit cost has been used in the 2017-21 recommendations. Officers will continue to review this to establish a more robust unit cost measure.

<sup>14</sup> For the 2017-21 Programme this relates to issues raised in the 2015-16 Grants Review including reflection on need in outer London, linking of priorities, robust outcomes, delivery of pan-London complementing local provision.

<sup>15</sup> For the current round of funding recommendations were dispatched in January.

5.21 Final approval on the funding decisions will sit with the Grants Committee<sup>16</sup>, which will decide on the package of funding. In the event that members did not wish to agree a recommendation it is advised that members instruct officers to return to the assessment and bring a further report to Committee.

5.22 Organisations will be notified of final decisions within five working days of the Committee. A full list of recommended organisations (subject to agreement) for each service area of funding will be published on London Councils website. This information will also be shared with the relevant borough officer groups identified above.

## **Agreements**

5.23 The final stage of the application, assessment and awards process is the signing of agreements between the organisation commissioned to deliver and London Councils (on behalf of the boroughs).<sup>17</sup> It is not until organisations have signed their agreement that they can formally begin delivery of their project.

5.24 London Councils has strengthened the terms of the agreements it issues in recent years, placing a greater degree of conditionality on payment of grant. The agreements build in safeguards that protect borough investment and to ensure that organisations are fully aware of their obligations regarding the delivery of commissioned outcomes. Any organisations that do not complete this stage will have their offer of funding withdrawn<sup>18</sup>. The agreement process has three main elements.

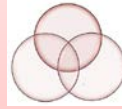
5.25 All organisations will be expected to complete actions arising from the grant agreement meeting within agreed deadlines before being issued with their grant agreement.

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<sup>16</sup> For the 2017-21 round of funding, the Grants Committee will meet on the 8th of February 2017

<sup>17</sup> Organisations will be issued with grant agreements, in accordance with the Law of Trust, which governs grant giving.

<sup>18</sup> Where organisations do not complete the grant agreement process officers will report to Grants Committee with recommendations on how to proceed which could include recommending the reallocation of funding.



**Value for Money (the three 'E's):** Officers review the proposed budget as part of the grant agreement process. Taking forward any comments/ conditions from the assessment stage officers ensure the budget has realistic costs and has not breached the threshold for overhead costs. (Economic)

5.26 First, delivery staff from all successful organisations will be required to attend a workshop. These workshops will be grouped by priority and cover all relevant elements of the grants process. They are a means to set the tone, prepare organisations for their relationship with London Councils, and to network with other providers. Areas included are:

- i. An introduction to and overview of the 2017-21 Grants Programme
- ii. Provider reporting requirements
- iii. The returns and payments processes
- iv. London Councils monitoring requirements and financial reporting
- v. Project evaluation requirements
- vi. Expectations of partnerships
- vii. How the providers will work with the service areas 1.3 and 2.5 and the support that is provided through these
- viii. Expectations of how the provider will work with boroughs
- ix. How links will be made between priority 1 and 2 and priority 1 and 3.
- x. Questions and close

5.27 Second, successful organisations will be required to attend an agreement meeting. This meeting is an opportunity for officers to meet with each commissioned organisation. During each meeting officers will recap on the areas treated in the workshops (see paragraph 4.26) and in addition cover the following areas:

- i. Clarification of roles and responsibilities regarding lead partners / sole delivery organisations
- ii. Expectations of partnerships
- iii. How the providers will work with the service areas 1.3 and 2.5 and the support that is provided through these
- iv. Expectations of how the provider will work with boroughs
- v. How links will be made between priority 1 and 2 and priority 1 and 3.
- vi. Definition of outputs and outcomes
- vii. Reporting templates

- viii. Provider delivery plan and activities
- ix. London Councils publicity requirements
- x. Project finance, audit and budget
- xi. Section 37 requirements<sup>19</sup>
- xii. Equalities
- xiii. The grant agreement and conditions of grant
- xiv. Next steps / requirements to be met before the grant agreement is issued.

5.28 Third, the agreement enables the Grants Committee and London Councils Officers to hold organisations to account. It requires funded organisations to deliver their projects in accordance with London Councils terms and conditions, the project specification, the application submitted by the organisation, the delivery plan agreed at the grant agreement meeting held by London Councils' staff and the provider, the London Councils project handbook (see delivery section below) and any subsequent terms agreed by the Grants Committee.

5.29 At this stage it is anticipated that providers will develop plans with relevant borough officers regarding how the project will operate in their borough. The scale of this work depends on the size of the project. Larger projects should enter into quite developed plans with each borough.



**London Councils and London boroughs Co-production: (Triangulation Approach to Performance Management)**

Providers will be required to establish plans of delivery with borough officers, to ensure services fit well with local provision and referral pathways are clear and publicised effectively.

5.30 The grant agreement sets the basis of the funding arrangements and expectations between the provider and London Councils. The agreement clearly states the outcomes and outputs the provider will be required to deliver and the consequences of underperformance (see delivery section below). It also sets out the reporting and monitoring requirements that

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<sup>19</sup> 137A of the Local Government Act 1972 which section was inserted into that act by section 37 of the Local Government and Housing Act 1989

the organisation have to meet. The funding agreements are the basis on which a robust approach to performance management in delivery of commissioned outcomes can be assured.

5.31 Progress on the grant agreement process will be logged by officers on a shared database. All correspondence with providers will be saved in relevant shared email folders and provider files in order to ensure a robust audit trail exists. Any issues arising from the agreement meetings will be recorded on the database and flagged to managers. This will allow managers to review progress and take necessary measures to overcome issues. The Grants Committee will be provided with a agreement progress report<sup>20</sup>.

## **6. Stage 3: Delivery**

6.1 The following section of this report sets out the monitoring arrangements that will underpin the delivery phase of the 2017-21 Grants Programme. It is designed both to give members confidence in London Councils' processes of monitoring and control, and to provide officers with a clear framework within which to manage the programme on behalf of the Grants Committee. The focus will be the delivery of commissioned outcomes.

6.2 The delivery framework covers five aspects:

- i. Provider reporting
- ii. Provider monitoring
- iii. Performance and risk management
- iv. Provider payments
- v. Reporting to the Grants Committee and boroughs

6.3 It should be noted that all correspondence with funded organisations, including emails, letters and reports will be saved to project specific folders on London Councils system. All milestones relating to the delivery and reporting on the programme will be logged by officers to provide a robust audit trail that can be used to aid internal and external audit. London Councils intends to use the GIFTS system to enhance this process.

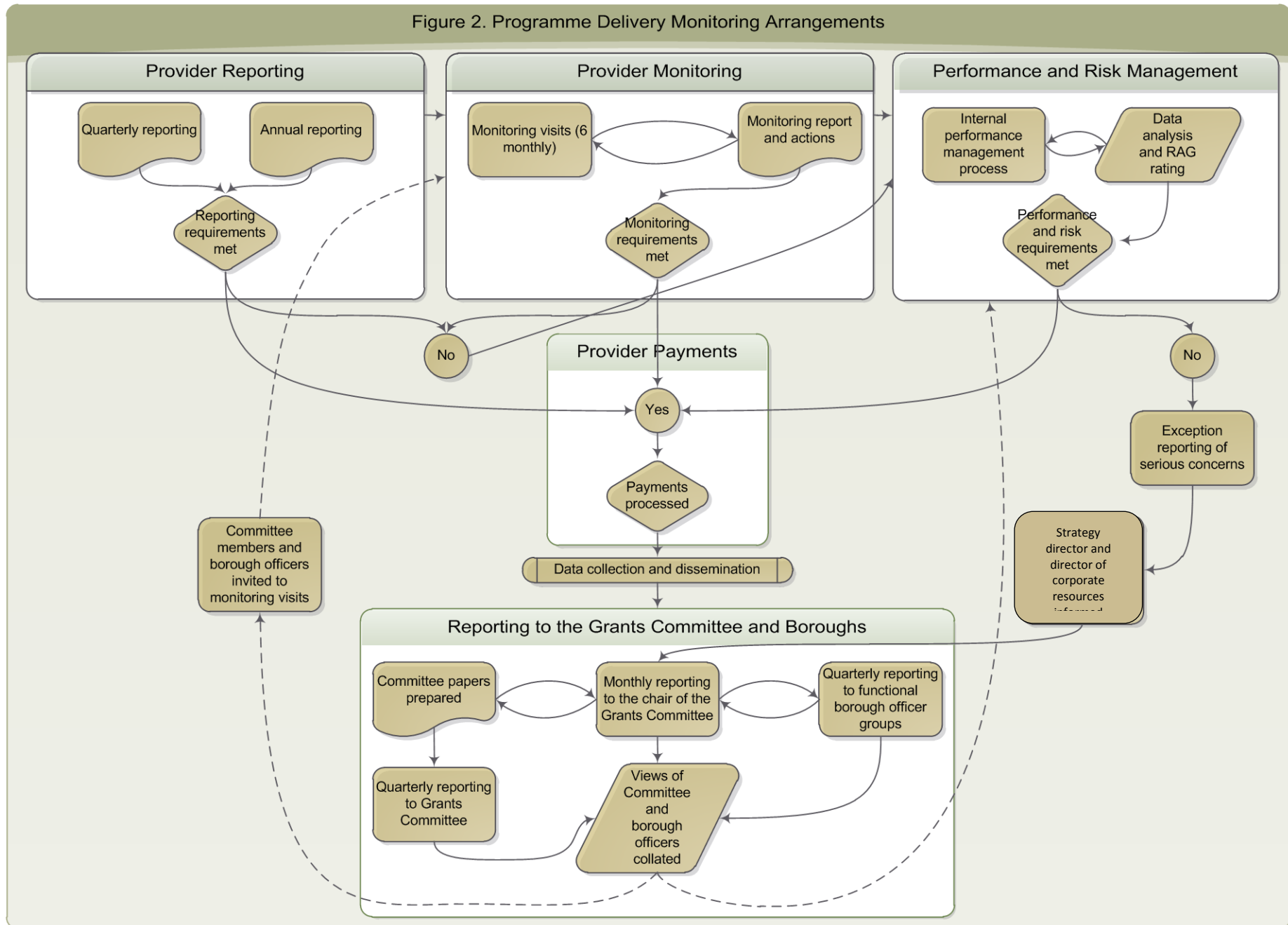
6.4 An overview of the process is set out in figure 2 (below). This is followed by a detailed description of each element.

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<sup>20</sup> For the 2017-21 round of funding this report will be provided to the July 2017 Committee.



Figure 2. Programme Delivery Monitoring Arrangements



## Provider Reporting

6.5 The provider reporting framework has been designed to give officers the data they need to effectively manage the programme and also to provide the Grants Committee with the information required to assess progress and hold providers and London Councils staff to account regarding the delivery of commissioned outcomes. The following sub-section outlines the quarterly and annual reporting requirements providers will submit to and describes the systems that support them.

6.6 All funded organisations will be required to report on a quarterly basis. Each quarter, providers will be required provide the following<sup>21</sup>:

- i. An outcomes delivery data report (including information on borough spread)
- ii. A short narrative report
- iii. Case studies

6.7 The outcomes data report will be provided in the form of an Excel workbook.<sup>22</sup> The workbook will contain details relating to numbers of beneficiaries supported by the provider<sup>23</sup>. The report will collect the demographic information required to keep the committee informed of borough spread of provision and the extent to which the programme is meeting its equalities targets. Information about the borough origin of service users is also collected to ensure delivery against the indicative service delivery levels in the service specifications. The report will also cover the activities, outputs and outcomes delivered as well as information on the links the provider has with each borough. Each quarter, the provider will add additional beneficiaries and activities delivered and these will feed into a summary that compares progress against the delivery plan agreed with the provider at the grant agreement stage.

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<sup>21</sup> For details on how this information will be used see section on performance management below.

<sup>22</sup> This software is currently being reviewed for this purpose to ensure it is the most efficient.

<sup>23</sup> Where providers are working with vulnerable people, this information will be anonymised in line with legal requirements and best practice on data protection.



**Value for Money (the three 'E's):** Provider reporting has a number of elements that demonstrate value for money. These include the measurement of delivery against robust outcomes against the specification which was developed with boroughs. (Effective). On an annual basis providers will be asked to state how much additional resources have been levered into the organisation (Efficient). Monitoring requirements are designed to be proportionate to avoid unnecessary diversion of resources from delivery (Efficient)

6.9 In the 2017-21 programme service areas 1.3 and 2.5 have been designed to provide support to the relevant sectors to link to boroughs effectively, including through providing up to date contact information in both directions. There returns will provide a chance to assess how well this is working and if necessary officers will work with these providers to adjust the approach to ensure it is effective.

6.10 The narrative report gives providers the opportunity to describe how they are progressing against profile, to highlight any issues or challenges being faced and to look forward to the next quarter. It also asks the provider to inform London Councils of any proposed changes to the management of the project, including; staffing, partnerships and internal systems. It also asks information on equalities and how the project is publicised. Finally it covers progress on financial expenditure. A standard template will be used to ensure consistency of reporting.

6.11 Where a provider highlights any significant changes<sup>24</sup>, it will be required to submit an official change request. Where such requests do not increase the overall financial envelope of the programme and are within the priorities agreed by the Grants Committee, these will be considered by the officer, and approved by the team manager and the head of community services and grants. Variations that will materially change the delivery of the services agreed by committee will be reported to the chair of the grants committee and strategy director, EI and community services.

6.12 Case studies will be required from providers on a quarterly basis. These will be used to highlight areas of best practice relating to the delivery of the project, or to celebrate success relating to individual participant achievements (where appropriate). The case studies

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<sup>24</sup> A significant change is considered to be any change that alters the details contained within the grant agreement and schedules.

will be used by London Councils in a number of ways. These include a means to share knowledge and learning more widely, the basis for press releases or items for the website, and a method to keep the Grants Committee updated on how its funding is being used. The case study templates will include a section on the clients' views of the provision.

6.13 In addition to quarterly reporting, organisations will be required to submit information annually that will allow officers to assess wider issues of organisational health and compliance with London Councils' requirements. The following will be required of organisations:

- i. Annual report and accounts including 'Section 37 statement'<sup>25</sup>
- ii. Current and next years' budgets
- iii. Minutes of the organisation's AGM
- iv. An annual progress evaluation

The normal expectation for commissioned organisations completing annual reporting requirements will be by no later than June 30 each financial year.

6.14 Both the annual report and accounts and the current and next years' budget will be reviewed by officers in the same way as outlined in Table 1. Due Diligence Checks (above). The same criteria will be applied.

6.15 In addition officers review the 'Section 37 statement' to ensure that the funding was spent on the purposes to which it was awarded (including information on all partners). This process is also the final stage in the process for checking if there is any unspent funding. This follows the earlier requirements to submit a statement of anticipated underspend in the January during the relevant financial year and draft 'section 37 statement' three months after the close of the financial year (typically June). If unspent grant is identified officers make arrangements for this funding to be returned, either through reducing a subsequent payment or through the return of a cheque.

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<sup>25</sup> The requirement that organisations in receipt of local authority funding list this in their accounts and confirm that it was spent on the purposes to which it was awarded is set out in 137A of the Local Government Act 1972 which section was inserted into that act by section 37 of the Local Government and Housing Act 1989.



**Value for Money (the three 'E's):** Review of the Section 37 statement ensures that all funding provided to the organisation is correctly referenced in their accounts, and that all funding was spent on purposes to which it was awarded. Underspend that is identified is returned to London Councils. (Economic)

6.16 Where organisations fail to meet the criteria, officers will work with the finance team at London Councils to outline the best way forward. Where concerns are sufficient to suggest that London Councils' grant funding should be stopped, officers will brief the chair of the Grants Committee and strategy director, EI and community services. Following that a report will be provided to the Grants Committee recommending further action. Members will be asked to decide on the appropriate outcomes.

6.17 Officers will also review the organisation's accounts to check that the certifying accountant has prepared a Section 37 Statement in line with London Councils statutory requirements. In cases where this has not been done, London Councils will give the organisation a deadline within which to produce one. Where organisations do not comply, London Councils will use the performance management framework (see below) to deal with the issue.

6.18 Following the internal audit review reported to Audit Committee on 22 September 2016 the following additional elements have been added to the annual accounts checking process. Officers receive training periodically to ensure they are able to read and interpret/analyse audited financial accounting statements. Where additional support is needed, Issues are escalated up to managers including the senior finance manager and (depending on the severity of the issue) to the London Councils finance team. The Due Diligence Checks performed on annual audited financial statements submitted by funded organisations are recorded in one place to ensure they can be reviewed at any time.

6.19 A number of checks have also been added to the list of measures that are reviewed annually on accounts (these are to be reviewed after 12 months to assess if all the additional checks are useful given limited monitoring resources). These form part of the Due Diligence Checks table outlined in Table One above.

1. A historical look at assets and liabilities over past financial years to see whether there is a downward trend in assets;
2. Reviewing the accounts to see whether the organisation has lost any grant funding or is unable to attract other sources of funding;
3. Whether the accounts are in deficit over financial periods;
4. Whether credit balances brought forward are diminishing;
5. Whether restricted and unrestricted reserves are reducing over financial periods;
6. A review of the amounts being spent on designated funds.
7. A review of investment performance to see whether this is decreasing consistently over a two year period;
8. Flag up and report any consistent deficits, decreasing reserves and investment performance, loss of funds and diminishing credit balances over a two year financial period.

6.20 All providers will also be required to submit minutes of their AGM. Officers will review the information in order to content themselves that there are no issues that could jeopardise London Councils' funding or the delivery of the project. Where concerns are noted, these will reported in the manner outlined in paragraph 5.14.

6.21 The final annual reporting requirement is the provision of an annual progress evaluation. This will include a more detailed version of the quarterly narrative report outlined in paragraph 5.8. It will be an opportunity for the organisation to report back on any wider issues that have contributed to particular areas of success or challenge in delivering commissioned outcomes. Providers will also be expected to provide a breakdown of project expenditure for that year and to re-confirm which members of staff and partners are involved in the delivery of the project. It will also include a work plan for the following year, which if necessary will be used by the organisation and grants officers to update the project plan. Providers will be asked how much additional funding has been levered into the organisation as one of the added value elements measured under the value for money theme.

## **Provider Monitoring Visits**

6.22 The provider reporting arrangements will be supplemented by monitoring visits. These afford officers and others the opportunity to see at first hand both the activities that the organisation is delivering, but also to check that the organisation has the required evidence in

place to support the claims made in the reports and to ensure there is a process of triangulation between borough officers, members and grants officers.



**London Councils and London Boroughs Co-production (Triangulation Approach to Performance Management)**

Providers visits can be open to relevant borough officers and members to attend where a particular issues arises. In addition, there are a number of Chair visits organised, in which the Chair of the Grants Committee invites members and relevant borough officers (such as the chair of a relevant borough officer network) to attend a visits to a project.

6.23 There are two types of provider visits Information Visits and Delivery Visits. Information Visits involve the review of documentation and monitoring systems to verify service user delivery data provided in quarterly returns, including data relating to delivery partners. The visit also involves checks relating to the operation of the organisation in terms of management/governance, staffing, finance, risk and partnership working. Organisations will be expected to provide evidence of outputs and activities claimed, including information regarding how they link to local authority services, as well as grant expenditure. Information visits also provide officers with the opportunity to discuss the wider environment and policy changes and the impact that these have on the project.

6.24 Delivery visits involve a review of the delivery of the project, interview with a service user (where appropriate) and staff as well as checks on the physical environment of the delivery venue (such as information available to service users). An important element of reviewing the delivery premises is equalities considerations. This includes physical aspects (such as how accessible it is by public transport, wheelchair accessibility, safety and navigability for visually impaired, hearing loops etc.), as well as suitability of venue for the target group and nature of service delivery.

6.25 Officers will plan a schedule of monitoring activities with the providers. In the first year of operation, organisations will be visited once (or potential twice depending on their RAG performance and risk rating). In order to improve access by boroughs to the 2017-21 Grants Programme, nominated members and borough officers will be given the opportunity to attend a number of these monitoring visits.

6.26 Grants officers will also use intelligence gathered through the Grants Committee and borough officer functional groups to address any issues that arise. For example, if the Lambeth representative on the Housing Leads and Homelessness group reported that provider x had not made contact with the borough to ensure referral routes for local beneficiaries, officers would raise this issue at the monitoring visit and where the borough officer or nominated member wished to accompany the officer on the monitoring visit, this would be arranged.

6.27 In addition, commissioned organisations will, where appropriate, be invited to present to the Grants Committee and specialist borough officer functional groups. This will be an opportunity for these organisations to present some of the successes and challenges being faced and to explain the impact of their services across London.

6.28 Officers will use a common template to guide their approach to the visits. The template will cover their observations on the delivery of the project and also a list of evidence checks to carry out. Officers will be expected to collect and report back participant feedback on the quality of provision.

6.29 At the end of each monitoring visit, the officers will agree (as necessary) a set of actions to be completed by the provider and a deadline for their completion. The findings of the visit will be recorded on the monitoring template and sent to the provider. Officers will be responsible for ensuring that monitoring actions are completed. Progress will be logged by the officer on London Councils internal systems.

6.30 Any issues of concern to officers will be managed within the performance and risk management framework outlined below. In the following years of delivery, officers will be able to reduce or increase the frequency of visits based on an assessment of risk.

6.31 Provision will be made to complete spot checks, including those undertaken by London Councils finance and audit staff and by boroughs where a local issue is identified. Joint working with London Councils will generate efficiencies and shared intelligence. Members will also be able participate in this activity.

6.32 London Councils will encourage (or require where this is necessary to demonstrate the results achieved in the delivery of outcomes) organisations to conduct surveys of users to support assessment of the quality and value of the services available.



These surveys have a utility in offering an external source of ratings and appreciation of services actually received.



**Value for Money (the three 'E's):** The provider visits allow for a number of checks to take place that relate to value for money. Firstly, they act as a verification of the data provided in the quarterly returns including service user information and outcomes achieved, and service user involvement in the review and adapting of services (Effective). Secondly, there are a number of checks on financial elements including the organisation's financial oversight and spot checks on expenditure items (Efficient, Economic). Officers will also check the sustainability policy (energy costs etc), procurement policy and check that there is a regular review of suppliers.

## Performance and Risk Management

6.33 The performance and risk management framework has been developed with due regard to findings from previous programmes and audits. Full details will be outlined in a revised version of the programme manual used by all staff working on 2017-21 grants and ESF funded programmes. Providers will also receive handbooks that set out their responsibilities and London Councils' requirements.

6.34 Officers will use a performance rating calculator for individual providers that covers several aspects of delivery including:

- i. Performance (delivery against target outcomes (72% of score)
- ii. Quality (18% of score) (provider self-assessment (annual) and client satisfaction)
- iii. Compliance (10% of score) (timeliness and accuracy of claims and reporting, responsiveness and the proactive management of risk)
- iv. Organisational due diligence check (annually)

6.35 The calculators will be updated on a quarterly and annual basis following submission of provider reports. Organisations will be scored on a scale of zero to 100 and this will produce a RAG rating. Scores will be used to determine the frequency of provider monitoring visits and to suggest when to take remedial action. Where providers have an

amber rating this will be reported to Grants Committee and any actions to address this outlined. Where providers have a red rating for two consecutive quarters, officers will be required to put in place recovery action plans.



**Value for Money (the three 'E's):** The Red/Amber/Green RAG process supports the Value for Money theme. It allows for effective performance management including the review of delivery against agreed outcomes and service user levels, service user involvement and ability to continue delivering the project within the grant conditions. It determines the level of intervention needed by officers (and Grants Committee) as part of the risk based approach to performance management.

6.36 Where there are issues of underperformance, officers will also work with their relevant borough counterparts. For example, if there are issues specific to a locality that is preventing access to services; officers will seek to use local intelligence to unlock any difficulties that threaten the delivery of commissioned outcomes.

6.37 Principal programme managers will conduct monthly priority and 1:1 meetings with officers. Individual provider progress will be reviewed at these meetings the principal programme managers will also review progress of officers against agreed work plans, assessing reporting, monitoring, payments and project evaluation. Any risks or issues with providers will be reported back to the head of community services and grants at bi-weekly meetings. For example, where providers fail to meet the performance management recovery action plan, clauses in the grant agreement will be used to either reduce funding or terminate (depending on the severity of this issue and subject to Grants Committee approval). Where appropriate issues will be escalated to corporate director of services.

6.38 The services directorate risk register will also include a specific set of risks relating to the 2017-21 Grants Programme. This will be updated on a monthly basis by officers and will ensure that there is a means by which to alert the strategy director, EI and community services, of risks related to the programme. Senior Management Team reviews the risk register on a regular basis as well as key performance indicators relating to the performance of the team.

6.39 The minuting of team meetings, use of performance rating calculators, and escalation reporting will support a programme management approach that encourages shared ownership of programme objectives and risks by the grants team.

6.40 This process will be supplemented by exception reporting (see figure 3 below) of issues of particular severity. The origination of exception reporting could potentially come from four sources:

- Grants officers
- Members – in particular Grants Committee Members
- Borough officers – primarily through the functional groups
- Third-parties such as a whistle-blower, another funder, or service user.



**London Councils and London Boroughs Co-production (Triangulation Approach to Performance Management)**

A clear process for raising concerns or issues will be provided to which borough officers will be made aware.

6.41 Where officers suspect serious wrong-doing by providers, or receive reports of serious wrong doing, they are instructed to inform their line manager immediately of their concerns in line with the Anti-fraud and Corruption Strategy (which is found as an appendix to the manual).

6.42 The line manager will escalate issues to the head of the team and strategy director, EI and community services within 24 hours of notification. Where concerns are upheld, the director of corporate resources will be informed within 24 hours. Where appropriate the Grants Committee will be informed (see below). At this stage, the risk will be categorised as high or low risk, using London Councils standard risk management framework, which considers financial, reputational and delivery risk.

6.43 Where a low risk categorisation is assigned, the originator of the concern will be informed of next steps. Where, a legitimate concern has been identified, the originator will be

invited to monitor its resolution and grants officers will prepare a report that draws out lessons learnt. Where necessary, internal processes will be updated as appropriate.

6.44 Where a high risk categorisation is assigned, the chair of the Grants Committee will be informed at monthly update meetings and officers will prepare a report outlining next steps. The report must be agreed by the chair of the Grants Committee, the strategy director, EI and community services and the director of corporate resources before being shared with the originator of the risk and the Grants Committee<sup>26</sup>.

6.45 Officers will then implement the recommendations contained in the report. To do this it will be necessary to work with the provider and possibly third parties such as the City of London Corporation or external auditors, the police, the Charity Commission and other funders. Where matters are reported to the police, officers will be expected to follow the Anti-fraud and Corruption Strategy (which is found as an appendix to the manual).

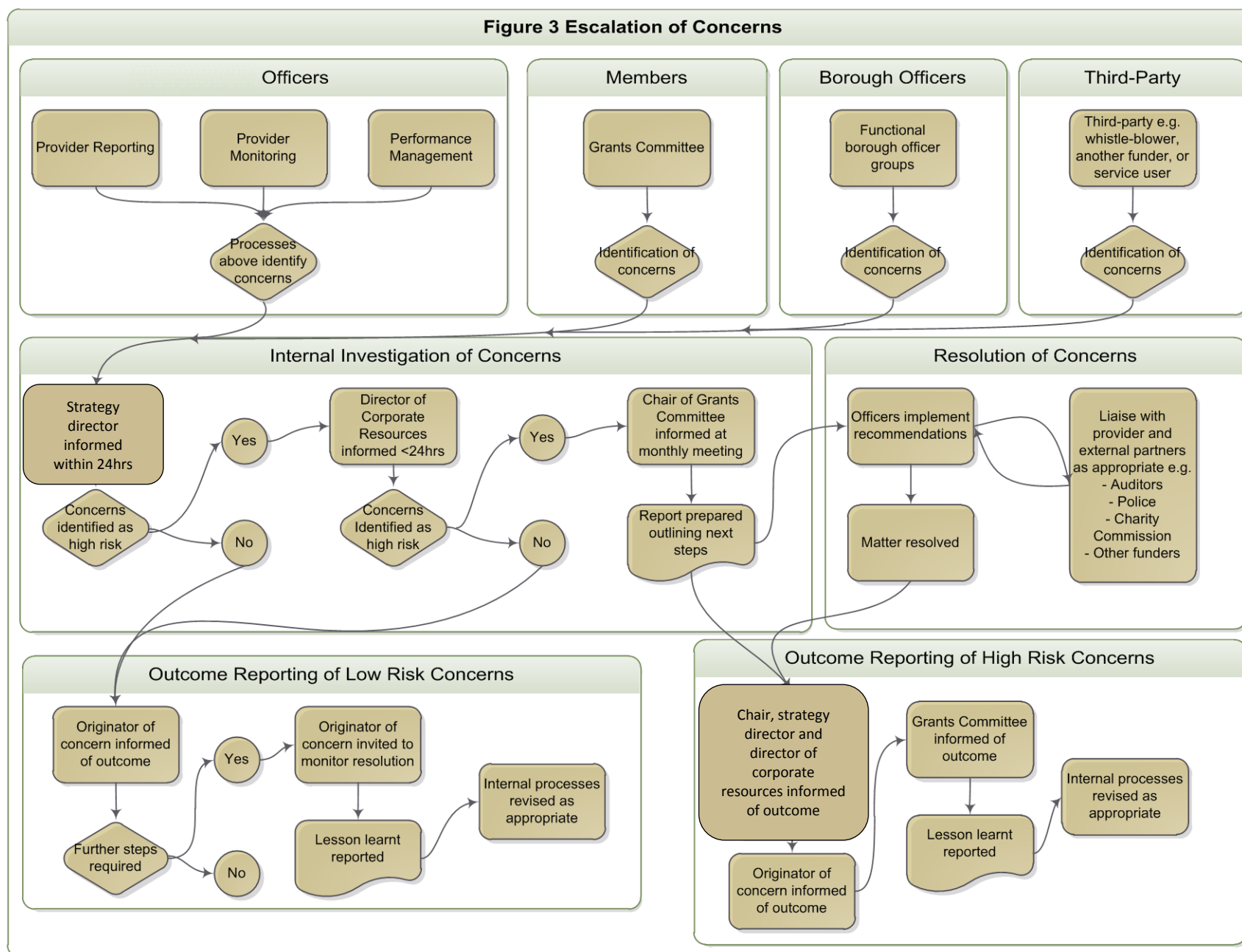
6.46 On resolution of the issue, the chair of the Grants Committee, strategy director, EI and community services and the director of corporate resources will be informed of the outcome. This will be done in the form of a report that identifies lessons learnt. On their approval the report will be shared with the originator of the concern and the Grants Committee. Where necessary, internal processes will be updated as appropriate.

6.47 Records of the process, such as emails, letters and supporting evidence will be kept as detailed in previous sections of this report. All provider files will be kept open until matters are fully resolved.

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<sup>26</sup> There may be instances where the concerns are of a nature that precludes sharing the detail. Where this is the case, the originator and the committee may not receive the full report. The chair of the Grants Committee will decide where this is the case.

**Figure 3 Escalation of Concerns**



## Provider Payments

6.48 The provider payment system has been designed to ensure that appropriate controls are in place to protect the public money invested in the programme by the boroughs. They have also been designed to ensure that there is link between delivery of commissioned outcomes, compliance and payment of funding. The section below sets out the process for paying providers and highlights the controls in place to ensure that only those providers that are meeting requirements receive funding.

6.49 It should be noted that the principles for paying providers differ slightly between priorities 1, 2 and 3. For the former priorities, payment is made quarterly in advance (in the second month of the quarter). For the latter priority<sup>27</sup>, payment is made quarterly in arrears, with providers receiving an advance payment which is reconciled in the second year of grant.

6.50 Despite the differences in the way providers are paid, the systems that support both are the same. The first payment to providers is made only when all grant agreement actions have been completed and signed agreements are in place. Subsequent payments are only made when reporting, monitoring and compliance requirements have been met. The trigger point for payment is the receipt of the quarterly (and where relevant, annual) reports.

6.51 When officers are satisfied that the grantee has met these requirements, they schedule the payment on London Councils' grants database, GIFTS. Every two weeks, the senior finance manager will run a payment request report. This report is provided to the officers, who certify the following information:

- i. That the amount requested is correct
- ii. That the organisation name is correct
- iii. There are no outstanding issues with the organisation
- iv. That the unique GIFTS reference number for the organisation is correct
- v. That the time period that the payment relates to is correct.

6.52 In order to ensure oversight of this process, the principle programme manager checks that the payments requested are supported by completed reports that have been properly signed off by the grantee. S/he will also check that the amounts

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<sup>27</sup> The ESF match funded part of the programme uses a *payments by results* model common to the England ESF programme. This system ensures that providers are paid for each achievement.

requested match the payment request and are within the budget agreed for the provider. Finally, s/he will verify that there are no outstanding monitoring or compliance actions.

6.53 Once the principle programme manager has signed off the payment requests, these are sent to the finance department, who spot check the payments before they are released to organisations. Payments are made through the Corporation of London's CBIS payments processing system. This system has been designed to ensure that the payments process is robust.

6.54 Where there are concerns of the nature highlighted in previous sections, all payments will be put on hold. Where organisations are failing to deliver according to their delivery plan and underperformance is noted for two consecutive quarters, payments can be reduced in proportion to the level of underperformance. For example, if a provider has delivered only 75% of the outcomes and outputs agreed in its grant agreement and delivery plan, its scheduled payment could be subject to a proportionate reduction<sup>28</sup>.

6.55 London Councils will commission the City of London to carry out an annual audit of the programme. This will be used to ascertain the extent to which the performance management and payment processes outlined above are being adhered to. Auditors will be asked to comment on strengths and weaknesses of the London Councils' systems and make recommendations for improvements. The findings will be shared with the Grants Committee. This process will supplement the annual external London Councils audit.

## **Reporting to the Grants Committee and Boroughs**

6.56 There are two key groups for whom regular reports will be provided. The first is the Grants Committee (and Grants Executive and other relevant members) and the second is the relevant borough officer networks. The reporting framework outlined in this section aims to strike a balance between reporting overall progress towards the objectives of the 2017-21 Grants Programme and exception reporting of areas of particular concern and indeed success.

6.57 Reporting to the Grants Committee will be done through two main channels. Firstly, officers will provide updates monthly to the chair of the Grants Committee. The

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<sup>28</sup> It should be noted that the performance management framework can be used to adjust delivery plans, where genuine reasons for underperformance exist. For example, if the provider identified issues with the way in which it was engaging beneficiaries and updated its delivery plan accordingly, it would be given time to put in place new systems.

updates will highlight any issues of concern that have been identified through the performance and risk management framework outlined above.

6.58 The Grants Committee will receive reports on progress made towards the commissioned outcome objectives, as outlined in the service specifications agreed by the Grants Committee and as set at the beginning of the programme with providers. These will provide an overview of overall activities, outputs and results delivered and expenditure committed. A RAG rating for each grantee will be provided as appendices to the reports. The reports will flag up any groups where there are issues of concern as outlined above.

6.59 An annual review will provide information on annual performance against targets as well as ensuring the programme remains in line with the principles, priorities and any issues that are raised in the review of the programme.<sup>29</sup> Members will be provided with an annual equalities audit of the programme as well as an annual report for each borough, providing information on the impact of the programme in that borough.

6.60 In addition to the overarching reporting on progress, the Grants Committee will agree an annual cycle of thematic reviews to scrutinise delivery against each of the 2017-21 grant programme's priorities. Members will be provided with additional information about how the projects for that priority are performing in the delivery of commissioned outcomes. A relevant provider will be selected to give a presentation to the meeting. These meetings will also look at the links between the providers and local officers. Relevant London Councils portfolio holders will also be invited to attend these meetings. It is anticipated that relevant Chair monitoring visits will coincide with the thematic reviews.

6.61 The Grants Committee will be provided with case studies that highlight any areas of good practice or success. This is being proposed as a means to ensure members get a balanced view of both challenges and successes.

6.62 All reports will be shared with the chair of the Grants Committee prior to wider circulation. This will be done to ensure enough time is available to incorporate the chair's feedback into the reporting process. It will also afford the officers opportunity to fully brief the chair on pertinent information that should be drawn to the Grants Committee's attention.

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<sup>29</sup> For the 2017-21 Programme these are the issues raised in the 2015-16 Grants Review including need in outer London, pan-London services that complement local services, linking of priorities, robust outcomes and value for money.





**London Councils and London Boroughs Co-production** Quarterly reporting to the Grants Committee, Grants Executive and relevant borough officer networks ensures scrutiny of provider performance. Thematic Reviews will provide an opportunity to review a priority area in more depth. This is enhanced with an annual survey of relevant borough officers to ensure service delivery is working well with local provision.

6.63 It is important that borough officers are kept up to date with programme progress and that they are aware of the London Councils services being delivered locally to support the key target groups for the grants programme. To this end, the London Councils grants team will share Grants Committee reports at the point of publication with the borough officers identified in paragraph 5.6.

6.64 Officers will also work through London Councils' policy networks to disseminate information about programme progress to local officers. Where borough officers have particular concerns about the provision being offered through London Councils' grants programme, they will be invited to make a formal report and attend monitoring visits or feedback sessions with London Councils' staff. London Councils is committed to ensuring that the grants programme is a shared resource that benefits the members. Officers will undertake an annual survey of relevant borough officers to ensure the services are working well with local provision.

6.65 The process and timeframe associated with the new monitoring process is as follows:

- i. If members of Grants Committee agree funding to commissions at this meeting, then officers will have from 9 February to 31 March 2017 to draw up and sign off agreements or as soon as practicable after 1 April 2017.
- ii. Members will receive an update on the grant agreement process at the Grants Committee AGM in July 2017
- iii. Members will receive a six month progress report covering the period 1 April – 30 September at the first Grants Committee meeting following this period.
- iv. A more detailed annual return covering the period 1 April 2017 – 31 March 2018, will be reviewed at the July 2018 Grants Committee AGM. This return

builds on the quarterly and annual progress reports, providing more detail and information on outcomes achieved.

- v. Commissions are awarded for a four year period, subject to performance, adherence to grant conditions and availability of resources.

## **7. Stage 4: Programme Closure and Evaluation**

7.1 The final stage in the programme lifecycle is programme closure and evaluation. It is important to note that evaluation is embedded through the lifetime of the programme and concludes at the end. At this stage, funded activities should be properly closed and lessons for future programmes noted and acted upon. There are a number of elements in the programme closure and evaluation phase. These include:

- i. Project closure
- ii. Archiving
- iii. Evaluation

7.2 In order to ensure the programme is properly closed, each individual project should be closed. The project closure process covers a number of elements, each of which is recorded on project files and on London Councils grants management system, GIFTS.

7.3 First, a complete check of project finance is undertaken. For priorities 1 and 2 the final payment of the programme will be split. This is due to the fact that payments under these priorities are paid in advance (in the second month of each quarter). An initial payment is released on satisfactory returns being submitted for the penultimate quarter. The second part of the split payment is made after receipt of a satisfactory final return after the close of the project including a report on any underspend. Where there is significant under-delivery, in particular where providers have been performing at an amber or red level on the RAG rating system for two or more quarters officers will seek to reduce the final payment in line with the level of under-delivery.

7.4 Officers will be required to ensure that all financial records relating to payments is up to date on the GIFTS system and that all payments due to organisations have been disbursed and any financial reconciliations made. They also check that all financial reporting requirements, such as submission of accounts and Section 37 statements have been properly reported.

7.5 Second, officers will certify that all provider reports have been received and that all outstanding actions relating to reports have been fully cleared. Third, officers will certify that all monitoring visits have been logged on GIFTS and actions completed.

7.6 Fourth, officers will certify that providers have submitted a final evaluation report that summarises the successes and challenges of the projects delivered. Officers will quality control these reports before signing them off. Where providers have not addressed specific points that officers consider to be material, commissioned organisations will be asked to resubmit a revised report. The purpose of this approach is to ensure that genuine lessons can be learnt.

7.7 Once each of the actions above has been concluded to the satisfaction of the officers in question, they will close down the GIFTS account for each organisation and email the provider thanking them for their work and explaining any document retention requirements. Where there are outstanding issues in any of these areas, projects will not be closed until issues are resolved.

7.8 In order to comply with best practice and external funding regulations, all documentation relating to the programmes will be archived (whether electronically or in hard copy) in line with London Councils document retention policy. This will ensure that documentation is available in the event of future audit or freedom of information requests.

7.9 On-going internal evaluation of the programme will be concluded at programme closure (as required by the Grants Committee). It will make use of the individual provider final reports and officer experience to highlight areas of best practice and suggestions for improvements to be made to future programmes. It will also consider the skill sets and requirements for the grants team in the on-going management of the programme.



**Value for Money (the three 'E's):** Key to ensuring value for money is the evaluation of the programme which involves the statutory requirement to periodically review need (including equalities information). Some of the large commissions will be encouraged to include social impact value in the review of their commissions.



**London Councils and London boroughs Co-production:** Boroughs are involved extensively in the review and evaluation of the programme, to ensure that the programme continues to be relevant to the needs presenting in their boroughs.

7.10 For priorities 1 and 2 the evaluation of the programme occurs concurrently with the design of the new programme. For the 2013-17 programme this included a provider level review which concluded in November 2014 and a programme level review (the 2015-16 Grants Review). Further details of this are included in Section 4, Stage 1 Design above as the two stages of Evaluation and Design were both covered in the 2015-16 Grants Review.

7.11 As outlined above a risk-based approach is taken in this framework, which guides the level of performance management dependent on the level of risk/ RAG score of the project. During the evaluation and design phase this variance approach is enhanced to ensure sufficient resources are deployed on the evaluation of the programme and design of the following programme.

7.12 Going forwards, an evaluation stage will be built into the programme at a mid point to ensure the projects are delivering satisfactorily against the service specification. This will also include a review of need, to investigate new and emerging need and ensure that projects are able to address this.

7.13 Equalities considerations are a key aspect in the evaluation of the programme and in particular in relation to informing any decisions taken about a future programme. More details about this are provided in section four.

## **Recommendations**

Members are asked to

- Note the cycle of reporting to the Grants Committee as outlined in sections three to six. Reports will include periodic progress updates and an annual cycle of reviews.
  - Note the amendments to the Commissioning Performance Management Framework considered by members of the Grants Committee at their meeting 23 November 2016, including clarity on issues around due diligence, a glossary and increased focus on equalities, as outlined in paragraph 1.4 and Table A.
  - Agree to adopt the revised Commissioning Performance Management Framework as policy of this committee.
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## **Financial Implications for London Councils**

There are no financial implications for London Councils arising from this report.

## **Equalities Implications**

The emphasis of the monitoring arrangements is to promote delivery and access to London Councils' funded services they need, and in particular the target groups highlighted in the specification as particularly hard to reach or more affected by the issues being tackled. Organisations submit equalities monitoring data, which can be collated across the 2017-21 Grants Programme to provide data on the take up of services and gaps in provision.

The priorities of the programme were set after thorough consultation and consideration of equalities impacts. This fed into the equalities information in each of the specifications. A similar approach will be taken to future programmes.

## **Legal Implications**

There are no legal implications arising from this report. Officers will work with Corporation of London legal team to ensure the grant agreement template and monitoring documentation is legally sound.

## Glossary

<b>Audit Committee</b>	A sub-committee of London Councils Leaders' Committee, overseeing the internal and external audit process.
<b>Co-production</b>	(see Triangulation)
<b>Commissioning</b>	Style of grant making used by London Councils in which funding is awarded following an open, competitive application round in which organisations apply to deliver against a specification which includes standard outcomes and delivery targets.
<b>CPMF</b>	Commissioning Performance Management Framework (the framework within which London Councils designs, awards, performance manages, reports and reviews the London Councils Grants Programme)
<b>Due diligence</b>	Checks to ensure organisations have the financial, resourcing and governance strength required to deliver the priorities of the Grants Committee
<b>EI team</b>	Employment and Inclusion Team at London Councils (the team that administers grants funding on behalf of the London Councils Grants Programme as well as ESF funding on behalf of a number of boroughs.
<b>ESF</b>	European Social Funding, funding matched from Europe via DWP and GLA
<b>GIFTS</b>	Grant making database software used by London Councils and other funders
<b>GLA</b>	Greater London Authority
<b>Leaders' Committee</b>	A London Councils committee in which each borough is represented on the committee by their Leader.
<b>MOPAC</b>	Mayor's Office for Policing and Crime
<b>Outcomes</b>	Changes in the service user, a result/ impact
<b>Outputs</b>	Activities delivered to achieve outcomes
<b>Propriety</b>	Meeting high standards of public conduct
<b>RAG</b>	Rating system to measure performance and risk using red, amber and green ratings
<b>Regularity</b>	Compliant with the relevant policies and legislation

<b>Section 37</b>	The requirement that organisations in receipt of local authority funding list this in their accounts and confirm that it was spent on the purposes to which it was awarded is set out in 137A of the Local Government Act 1972 which section was inserted into that act by section 37 of the Local Government and Housing Act 1989.
<b>SMART</b>	Specific, measurable, achievable, realistic (or relevant), time bound
<b>Triangulation</b>	the approach taken by London Councils to design, award, performance management and review which involves the input of boroughs (member, and officers), VCS and other stakeholders.
<b>Value for money</b>	Ensuring that public funding is spent within the context of being economic, efficient and effective (the three 'E's)
<b>VAWG Coordinators</b>	Violence Against Women and Girls Coordinators which is a borough officer network coordinated by MOPAC