

BRECKLAND DISTRICT COUNCIL

Report of: Christine Marshall, Executive Director Commercialisation

To: Governance & Audit Committee, 24 February 2017

(Author: Christine Marshall, Executive Director Commercialisation)

Subject: Processes in Place for Reviewing Financial and Corporate Performance

Purpose: This report details the current processes at the Council for reviewing financial and corporate performance information, to provide Governance & Audit Committee with assurance of the processes in place.

Recommendation(s):

- 1) That the report be noted.

1.0 BACKGROUND

- 1.1 At Governance & Audit Committee in December 2016, Members questioned the process for reviewing performance at the Council. This report provides the committee with those current processes in order to provide assurance to Governance & Audit Committee Members that a relevant and fit for purpose process is in place at the Council.

Financial Performance

- 1.2 Financial performance is reported on either a monthly or quarterly basis, dependent on the potential financial impact of differing areas (a risk based approach). The variances reported are based on the original budget approved by Full Council and updated for any known changes in the year to date (i.e. new approvals). The budget is set by the Service Manager and is then reviewed by finance and challenged where necessary.
- 1.3 On a monthly basis, areas which have the potential to generate a substantial financial impact are reported through the covalent system. These areas are also reviewed by the Finance Board using a link to the covalent system. The areas currently reported on are:
 - Variances on major contract spend – Serco waste contract, PFI leisure contract and the Capita planning & building control contract.
 - Variance on planning application income.
 - Commercial Property net income variance.
 - Investment interest variance.
 - Variance on establishment costs (i.e. salaries) compared to the 96% budget.
- 1.4 On a quarterly basis, the actual financial position compared to budget is reviewed for all areas of the council for capital, treasury and revenue. The finance department liaise or meet with all Service Managers and review their variances and forecast spend for the remainder of the financial year. The results of this are reported to Cabinet on a quarterly basis. The report to Cabinet details the overall forecast financial position of the council along with details of the major variances and the reasons for those variances. The quarter three report to Cabinet can be found at the following link <http://democracy.breckland.gov.uk/ieListDocuments.aspx?CId=116&MId=3847&Ver=4> – item 10 of the agenda.

- 1.5 The annual statement of accounts is subject to an in depth audit by Ernst & Young and the results of this are presented to Governance & Audit Committee on an annual basis. This audit of the statement of accounts also includes a conclusion from Ernst & Young on the Council's arrangements for securing economy, efficiency and effectiveness (the value for money conclusion). Details of this report for 2015-16 can be found at the following link <http://democracy.breckland.gov.uk/ieListDocuments.aspx?CId=468&MId=3874&Ver=4> – agenda item 9.
- 1.6 The Finance Board meets on a monthly basis, the board consists of; the S151 officer, the Head of Internal Audit, the Corporate Improvement and Performance Manager and the Chief Accountants (for both Breckland and South Holland councils). The Finance Board reviews the monthly financial information on covalent (see paragraph 1.3 of this report) and if necessary will investigate further any areas of concern. The Finance Board is also responsible for releasing capital budgets (once approved by Full Council) to ensure that the appropriate milestones are in place to measure performance. Any internal audit issues are raised at the Finance Board as necessary to ensure early action, if required, can be taken to resolve any up-coming issues. The Finance Board also work to identify potential threats, risks, opportunities and issues through horizon scanning, liaison on a countywide basis and through reviewing the impact of national changes to the Councils medium term plan. A summary of the Finance Board minutes is also reviewed by the Executive Management Team (EMT).

Transformation Programme

- 1.7 The Operational Transformation Board meets on a monthly basis and at each meeting reviews the financial performance of the programme along with the progress of the individual projects. This board consists of staff from; Corporate Improvement, Finance, Human Resources, Communications and Legal and is chaired by the Executive Manager for People & Public Protection. The financial report details the financial savings made to date compared to the target and highlights any areas of concern and also any opportunity areas. The project progress report details the progress of each project along with a RAG (Red-Amber-Green) rating to highlight any areas of concern. The Operational Transformation Board will call in a Service Manager, if necessary, where there are concerns over the delivery of a specific project, to determine if there are any actions which can be taken to assist. Both the financial and project reports are also reviewed by the Strategic Transformation Board and Strategic growth Group which are the Executive Director and Executive Manager level boards.

Corporate Performance and Risk

- 1.8 The internal audit service reviews areas in accordance with the pre-approved audit plan. The audit plan is created on a risk based approach and is discussed with senior managers whilst being prepared to identify any areas of concern, change, system development or issue. The plan is then reviewed by Finance Board and then the Executive Management Team (EMT) before being presented to Governance & Audit Committee for final approval (see item on this meeting agenda).
- 1.9 Key Performance Indicators (KPI's) are initially agreed as part of the annual team/service plan which happens as part of the annual corporate plan refresh process. These are first agreed by Service Managers, then signed off by Executive Management Team and Directors and then reviewed by Portfolio Holders. Key Performance Indicators that make up the Council's Performance Framework are considered monthly at the Performance, Risk and Audit Board. The board is chaired by the Executive Director for Strategy & Governance. Where performance is below the expected levels the relevant Service

Manager is called in to explain the reasons for this variation and outline mitigating actions being taken to recover the position. The outcomes of the Board are then reported monthly to the Executive Management Team in the form of a highlight report.

- 1.10 The Performance, Risk and Audit Board also considers updates on operational and strategic risks, and progress made against audit recommendations. These are again subject to the same call in process outlined above.

Contract Performance

- 1.11 The council's three major contracts (Serco waste contract, PFI leisure contract and Capita planning & building control contract) are all subject to internal monitoring processes. These are led by the services and are tailored to the needs of the specific contract. The general process followed is regular contract monitoring meetings with the providers of the service. At these meetings, providers are challenged and held to account where necessary.

2.0 OPTIONS

- 2.1 This report is for information only.

3.0 REASONS FOR RECOMMENDATION(S)

- 3.1 This report is for information only.

4.0 EXPECTED BENEFITS

- 4.1 To provide Governance & Audit Committee Members with assurance that an appropriate process is in place at the Council for reviewing financial and corporate performance.

5.0 IMPLICATIONS

In preparing this report, the report author has considered the likely implications of the decision - particularly in terms of Carbon Footprint / Environmental Issues; Constitutional & Legal; Contracts; Corporate Priorities; Crime & Disorder; Equality & Diversity/Human Rights; Financial; Health & Wellbeing; Reputation; Risk Management; Safeguarding; Staffing; Stakeholders/Consultation/Timescales; Transformation Programme; Other. Where the report author considers that there may be implications under one or more of these headings, these would be identified below.

6.0 WARDS/COMMUNITIES AFFECTED

- 6.1 N/A.

7.0 ACRONYMS

- 7.1 RAG – Red, Amber, Green

Background papers:- [See The Committee Report Guide for guidance on how to complete this section](#)

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Key Decision: No

Exempt Decision: No

This report refers to Mandatory and Discretionary Services

Appendices attached to this report: