

Manchester City Council

Audit 2007/08

Review of partnership management arrangements

Overview Report – 4 March 2008

Review of partnership management arrangements

Background

In our Audit and Inspection Plan 2007/08, we identified the management of partnerships as an area requiring audit work during the year to support our opinion on the accounts and our conclusion on the adequacy of the Council's arrangements for ensuring value for money in the use of its resources.

The Council works in partnership with a large number of organisations to deliver its strategic objectives and has interests in a range of significant companies and joint ventures. As such, the Council's complex relationships give rise to potential financial, governance and performance related risks. Arguably, partnership arrangements pose a greater risk to the Council than more formal contractual arrangements, as respective responsibilities of partner bodies and management arrangements can be less well defined and controlled.

Arrangements for partnership working are becoming increasingly prominent in the Comprehensive Performance Assessment (CPA) and will be a core component of Comprehensive Area Assessment (CAA), from 2009.

Scope and methodology

We have carried out an overview of the Council's arrangements for the identification and management of significant partnerships.

For its significant partnerships, we assessed how the Council:

- obtains the necessary assurances around management arrangements to support the Annual Governance Statement (AGS)
- assesses value for money (VFM) in its partnership arrangements.

We used assessment criteria based on Audit Commission best practice in partnership management, tailored to include all partnership related Key Lines of Enquiry (KLoE) criteria and descriptors that the Council will be assessed against as part of the 2008 CPA and the proposed 2009 CAA.

We took a number of key questions from the assessment criteria, to perform our overview of the Council's arrangements. The full assessment criteria have been shared with the Council for use in self-assessing management arrangements as they continue to develop.

Our findings are intended to help inform the Council of any areas where action is required to strengthen arrangements, in time for the CAA assessment in 2009. Based on these findings, we will plan and perform further risk based work as part of our 2008/09 audit.

Although we have gathered evidence from the Council around the management arrangements of significant partnerships, our work this year has not assessed the performance of any individual partnerships in achieving their objectives.

At Appendix 1, we have summarised key audit and other findings on partnership management arrangements from the last year, including a number of our own findings from review of the Council's self assessment and documents provided as part of this overview. The detail of these findings is not included in the main body of this report, as the Council is already familiar with the messages. However, the findings provide useful context for this report and reinforce the requirement for the introduction of a formal framework for partnership management.

In the action plan, at Appendix 2, we have included a recommendation for the Council to incorporate previously reported issues into its forthcoming evaluation of partnership management arrangements.

Findings

Development of partnership management arrangements

The Council uses partnership working extensively to deliver the Community Strategy and, in recent years, this approach has achieved a lot for the city.

The Council has historically used a devolved approach to managing partnerships, which has been consistent with the Council's overall approach to governance, but has recently recognised the need to introduce more formal procedures for identification of significant partnerships and for collecting and evaluating their governance, financial management and performance management arrangements. This has been prompted by:

- increasing expectations nationally around financial management, risk management and governance of partnerships, reinforced by the audit and inspection framework
- the Council's aspirations to strengthen its corporate governance arrangements in a number of areas, including the management of partnerships
- the desire to raise standards of partnership performance management consistently, so that the Council can provide robust evidence of long term outcomes and impacts of the investment made in its partnership working.

The Council is in the process of implementing a new Partnership Governance Framework (PGF), which has been designed to identify all significant partnerships, create and maintain a central record of their governance, financial, risk and performance management arrangements and assess how they provide VFM.

The PGF will be at the heart of the Council's partnership management arrangements. As such, the remainder of this report focuses on the scope of the PGF and progress on implementation.

The Partnership Governance Framework (PGF)

In Summer 2007, the Council's Governance Working Group (GWG), chaired by the Assistant Chief Executive - Performance, took on delegated responsibility for reviewing and developing the Council's governance arrangements, including partnerships. This is a high profile area of organisational development for the Council that is supported by members, the Chief Executive and the Strategic Management Team (SMT).

The Council set a target of December 2007 for identification of all significant partnerships, evaluation of their governance arrangements and production of a partnership toolkit for responsible officers. The partnership review team, comprising two officers, one from policy and one from democratic services, was tasked to deliver the review and have spent the majority of their time since July 2007 identifying significant partnerships and developing the PGF.

Finalisation of the list of significant partnerships took longer than expected, partly due to the large number of external relationships that the Council has, and was completed in December 2007.

At the same time, the Council produced the PGF, which intends to provide a streamlined approach to establishing and maintaining a centralised record of significant partnerships, the associated management arrangements and reasons for delivery of functions using partnerships. Partnerships identified as significant are captured by the PGF processes, which require completion of a registration form and self-assessment of management arrangements.

The submissions and evidence received from partnerships will be evaluated by a partnerships team with legal and financial experience to ensure that the involvement of the Council does not subject it to an unacceptable level of financial or reputational risk. Any issues identified in the registration documents or self-assessments will be referred to the Council's lead officer to be addressed, and where appropriate, incorporated into an improvement programme.

The PGF and associated registration and self assessment forms collect information covering all expected key aspects of governance, including:

- nominated lead Council officer and role and responsibilities of other officers and members
- source of delegated authority for members and officers to enter into the partnership, and to bind the Council to decisions
- means by which the partnership makes decisions
- non-financial resources provided by the Council to the partnership
- membership, legal form and lead accountable body information
- reporting arrangements
- financial and performance management information.

Progress in implementing the PGF

The Council set a deadline for receipt of partnership registration and self assessment forms from all nominated officers of 1 February 2008. Information has not yet been received for all significant partnerships and any outstanding returns at the time of the next GWG meeting on 4 March will be formally requested again.

With support from SMT, the March GWG will determine what additional resource will be provided to carry out the evaluation phase of the partnership review, and production of the partnership toolkit. It is anticipated that this and other governance developments, including the Council's first Code of Corporate Governance, will be launched for officers and members from April and will feed into production of the Council's 2007/08 Annual Governance Statement (AGS) in June. The Council is considering options for supporting the ongoing maintenance of the PGF after completion of the first cycle.

Although the Council has taken some time in deciding to formalise its partnership management arrangements, it is clear that it is now investing time and resource in implementing a comprehensive framework for partnership governance. Whilst implementation is taking longer than anticipated, the Council is adopting a robust approach, which is being driven by senior management and indications are that it is largely being received positively by officers responsible for partnerships.

Whilst the GWG is consulting with internal audit at key stages of the process, a strength of the process is that it is being driven by policy, legal and finance. The less that the PGF, and other governance developments, are regarded as an audit and finance initiative, the more likely that they will become successfully embedded across the Council. Furthermore, it is apparent that the current partnership review team is injecting a great deal of effort and enthusiasm into the process, which will be required to successfully implement a robust framework.

Areas for action

The Council is aware that continued implementation of the PGF represents a challenge. In particular, the Council will need to ensure that:

- sufficient officers, with the right skills, are made available to evaluate the partnership returns
- any late returns are followed up and received promptly
- assurances required for AGS are defined and obtained in time for production of the statement (planned for April)
- identified gaps in arrangements, that could expose the Council to risk, are rectified promptly (see below for some examples)
- PGF processes going forward are clarified, including arrangements for periodic review of the significant partnerships list, monitoring and review of actions to address identified assurance gaps, and officer resource required to maintain framework arrangements
- momentum is maintained to retain officer engagement and embed the framework consistently into day to day partnership management.

To realise its ambition of improving external assessment of partnership management arrangements, it is important that the Council implements fully the PGF and is able to demonstrate strengthened arrangements in a number of areas, which are covered by current and future use of resources assessments. These include:

- demonstrating the value for money of partnership working
- consistently approving business cases before entering into partnerships, including the costs to the Council against the expected benefits
- undertaking joint strategic needs assessments, including an understanding of inequalities, that drive forward long term commissioning decisions and partnership objectives
- improving evidence of joint service and financial planning through the Medium Term Financial Plan and service business plans
- developing joint procurement, asset management, IT and data quality arrangements
- obtaining assurance over significant partners' business continuity plans
- evidencing partners' confidence in the arrangements for partnerships, including standards of conduct and governance arrangements
- introducing robust risk management arrangements for partnerships

- embedding robust performance management arrangements for all significant partnerships, based on corporate standards for performance management, and including benchmarking of outcomes and indicators against others
- implementing a procedure for declaring conflicts of interest within partnership organisations
- considering whether there is a requirement for scrutiny to review any other significant partnerships, other than the thematic partnerships
- ensuring that the internal audit plan responds to key risks identified by the evaluation process
- linking the PGF to the wider assurance framework
- widening systematic feedback on how services are performing and demonstrating how this assists in making improvements to services
- introducing systematic joint processes for managing the environmental impact of delivery of public services in Manchester.

Recommendations

At Appendix 2, we have included an action plan containing a small number of recommendations for the Council. We have not sought to repeat recommendations from previous audit or consultancy reports, or to make recommendations in areas where the Council has already committed to taking action. We have, however, provided a summary recommendation containing areas of action for the Council to focus on, in preparation for its use of resources assessment.

Next steps

We met with Forid Meah, Carol Culley and John Bradley on 22 February to discuss findings and agree this report. We will present the agreed report to Audit Committee on 14 March.

We anticipate that future audit work will include an evaluation of how the partnership self assessment worked in 2007/08, including how this fed into the governance framework and AGS, and consideration of developments to the process for 2008/09.

Acknowledgement

We would like to take this opportunity to thank the officers of the Council who prepared the self assessment and supporting evidence and assisted with this review.

Grant Thornton UK LLP
4 March 2008

Appendix 1 Partnership management arrangements - key findings

Area	Overview findings
Accounting	<p>The Audit Commission reported the following partnership accounting issues in 2006/07:</p> <ul style="list-style-type: none"> • that the Council did not consolidate the GMEX accounts into the group accounts for the second year, due to the accounts not being received by the Council on time • there was no statement of group accounting policies in the accounts • some issues reported to the PCT around compilation of the pooled budget accounts. <p>The Council has agreed actions to implement recommendations relating to the first two points. We will discuss and review plans for producing the pooled budget accounts and provision of assurances with the PCT.</p> <p>We will also discuss how the Council will use the significant partnerships list to inform production of the annual financial statements.</p>
Financial management and value for money	<p>The EKOS consultants report (September 2007) identified that the Manchester Partnership needed to develop more consistent arrangements for identification of costs of providing services in partnership and measuring the outcomes and value for money derived from partnership working. The Council already has a recognised model of good practice in the Crime and Disorder thematic partnership to which it can refer in developing arrangements for the other thematic partnerships.</p> <p>The Council's PGF aims to collect and evaluate this information for the Manchester Partnership and other significant partnerships. However, this is still in the early stages of implementation and there remains a lot of work to evaluate responses from partnerships and consider assurances around financial management arrangements and delivery of VFM.</p> <p>The Council's financial regulations refer to partnerships. They are currently being updated as part of the revised constitution and will cover the area of partnerships in more detail. This will be complete by May 2008.</p> <p>The Audit Commission recently concluded, in its use of resources assessment, that the Council need to develop partnership financial management arrangements.</p> <p>The Council's children's services business plan (June 2007) and draft 2008/09 regeneration business plan mention the need for effective multi agency partnership working but lack some clarity around financing of resources and targets and the joint nature of these. This will be improved in future through linking business plans to the PGF.</p>

Area	Overview findings
Financial management and value for money (continued)	<p>The Medium Term Financial Plan (MTFP) focuses largely on the Council, without significant evidence of consideration of partners' MTFP and citywide resource mapping, for example:</p> <ul style="list-style-type: none"> • the resources section only talks of council resources (what if other key partners have resource issues that could affect the Council?) • the call against resources section mentions only the Council • proposals for additional investment mention only the Council • thematic partnerships are mentioned as a brief subset of section 6 on additional funding and this seems to be principally about making efficiencies • there is no mention of active consultation with the NHS or criminal justice. <p>The global revenue budget monitoring report is largely inward looking with the Local Area Agreement considered briefly and aside from main budget.</p> <p>The Council and Manchester PCT have set up statutory learning disability and mental health pooled funds and formal pooling arrangements for drug and alcohol services. The 2006/07 Manchester PCT Annual Audit Letter highlights the need to strengthen arrangements for sharing financial information and pooling resources, as well as defining outcome and effectiveness measures.</p> <p>The Council's Capital Gateway and Strategic Regeneration Frameworks cover all districts of the City and have brought forward examples of joint use of assets including, for example, placement of libraries in sixth form centres. The Council's Asset Management Plan 2007 introduced plans for the establishment of corporate property ownership to take effect from 1 April 2008. This will mean that all of the Council's property assets will be held and managed by the corporate centre. The plan mentions consideration of joint use of assets but largely in the context of working with the private sector. The plan would benefit from more explicit reference to, and consideration of, joint use of assets with partners. The Council is aware that joint use of assets forms part of the proposed use of resources criteria for 2009.</p> <p>The Council has carried out some joint procurement with the private sector to improve VFM. Examples include the creation of a trust and contract with SERCO for indoor leisure provision, and a joint venture with NCP to provide off-street parking.</p> <p>The council recognises the scope for further significant improvements in its purchasing practice, including collaborative purchasing with other public sector agencies, and has prioritised a Procurement Service Improvement Project as part of MIP.</p>

Area	Overview findings
Governance, risk management, and internal control	<p>The Council has historically used a devolved approach to managing partnerships, which has been consistent with the Council's overall approach to governance.</p> <p>For the Manchester Partnership, the overall framework is set by the Public Services Board, which receives high level service and financial performance monitoring information from the thematic partnerships. The thematic partnerships set and maintain their own management arrangements.</p> <p>To date, for significant partnerships outside of the Manchester Partnership, the Council's management arrangements have largely been set and maintained at directorate level and no overall list of significant partnerships has been maintained.</p> <p>There is currently no system in place for declaring and managing conflicts of interest within partnership organisations. The Council is working with the Standards Board on a project to develop ethical guidance for partnerships and it is expected that this will form the basis of national guidance on shared standards in partnership working.</p> <p>In its latest use of resources assessment, the Audit Commission identified that the Council needs to strengthen risk management and internal control arrangements for its significant partnerships.</p> <p>In response to increasing national expectations, reinforced by audit findings at the Council, and an internal drive to improve organisational governance arrangements, the Council has recently recognised the need to introduce more formal procedures for identification of significant partnerships and for collecting and evaluating their governance, financial, risk and performance management arrangements.</p> <p>Whilst progress on implementation of the new Partnerships Governance Framework (PGF) is behind schedule, the Council has invested significant resource to design a robust process and drive it forward. The PGF will be the core of the Council's partnership management arrangements for finance, governance, risk, performance management and VFM. As such, the main body of this report focuses on progress in implementing the PGF</p>
Performance management	<p>There is clarity in the introductory sections of business plans and other documents about how they fit in with the council's strategic objectives at a high level. The planned outcomes for the LAA link to the Community Strategy.</p> <p>The Council recognises the need to improve performance management where it works in partnership. The EKOS consultancy report (September 2007) concluded that there is a high degree of inconsistency across thematic partnerships in the way performance is managed but pointed out that the Council has an example of best practice in the Crime and Disorder partnership. Until the PGF returns are evaluated, the corporate centre will not have a full picture of the arrangements for performance management in the other significant partnerships.</p> <p>A sample of recent partnership monitoring reports was reviewed. These covered both service and financial performance in the same report, but the two were not explicitly linked and there is no evidence of consideration of what is being achieved for the level of spend. Some reports still give the impression that spending financial resources is paramount.</p>

Area	Overview findings
Performance management (continued)	<p>The Council undertakes regular consultation with the public around service satisfaction and provides the results to service leads so that they are aware of levels of satisfaction with their service areas and relevant partnerships. It is then the responsibility of services to use the information to develop strategies for increasing performance in those areas where performance is poor. Work has focused on understanding more about crime and fear of crime and community cohesion as a result of information gathered through the surveys.</p> <p>The Manchester Board has a role in holding the PSB to account in delivering the Community Strategy. The Manchester Partnership Management Group, reports up to the PSB on performance across the thematic partnerships in achieving key cross cutting priorities. The Audit Commission report on the LAA (January 2008) concluded that there was a lack of clarity in seeing how, in practice, the PBS holds thematic partnerships to account for delivery of targets.</p> <p>The Audit Commission and EKOS consultancy reports both recommended improvements in partnership performance information, specifically around ensuring that up to date proxy performance information is gathered to demonstrate progress towards achievement of longer term outcomes.</p> <p>A sample of scrutiny reports reviewed show that scrutiny committees receive performance reports for the thematic partnerships within the Manchester Partnership that contain a similar level of information to that reported to partnership boards.</p> <p>There is also evidence of scrutiny of other significant partnership areas, such as HMR.</p> <p>Depending on the results of the PGF evaluation, the Council may wish to consider the coverage and scope of future scrutiny workplans.</p>

Appendix 2 Action plan

No	Recommendation	Management response	Implementation
1	<p>Implementing and embedding the PGF</p> <p>The Council should ensure that:</p> <ul style="list-style-type: none"> • sufficient officers, with the right skills, are made available to evaluate the partnership returns • any late returns are followed up and received promptly • assurances required for AGS are defined and obtained in time for production of the statement (planned for May) • PGF processes going forward are clarified, including arrangements for periodic review of the significant partnerships list, monitoring and review of actions to address identified assurance gaps and officer resource required to maintain framework arrangements • momentum is kept up to retain officer buy in and embed the framework consistently into day to day partnership management. 	<p>The recommendation is accepted and will be addressed through the existing work programme.</p>	<p>End March 2008 and then ongoing. Forid Meah, Head of Corporate Performance</p> <p>By September 2008, as part of review of AGS implementation. Forid Meah, Head of Corporate Performance</p> <p>Ongoing Forid Meah, Head of Corporate Performance</p>

<p>2</p>	<p>Challenging assurances and resolving previous issues</p> <p>The Council should ensure that previously identified areas of weakness within partnership management arrangements, including those summarised in Appendix 1 and in the Council's recent partnership arrangements self assessment, are used to review and challenge partnership assurances and to feed into management arrangements improvement plans.</p> <p>In particular, the Council should focus attention on a number of areas that will form part of the use of resources assessment:</p> <ul style="list-style-type: none"> • demonstrating the value for money of partnership working • consistently approving business cases before entering into partnerships, including the costs to the Council against the expected benefits • joint strategic needs assessments, including an understanding of inequalities, that drives forward long term commissioning decisions and partnership objectives • improving evidence of joint service and financial planning through the Medium Term Financial Plan and service business plans • expanding joint procurement, asset management, IT and data quality arrangements • obtaining assurance over significant partners' business continuity plans • evidencing partners' confidence in the arrangements for partnerships, including standards of conduct and governance arrangements • introducing robust risk management arrangements for partnerships • embedding robust performance management arrangements for all significant partnerships, based on corporate standards for performance management, and including benchmarking of outcomes and indicators against others • implementing a procedure for declaring conflicts of interest within partnership organisations • considering whether there is a requirement for scrutiny to review any other significant partnerships (based on the outcome of the evaluation exercise) • ensuring that the internal audit plan responds to key risks identified by the evaluation process • linking the PGF to the wider assurance framework • widening systematic feedback on how services are performing and demonstrating how this assists in making improvements to services • introducing systematic joint processes for managing the environmental impact of delivery of public services in Manchester. 	<p>The recommendation is accepted and will be addressed through the existing work programme.</p>	<p>Action plan preparation April –June 2008. Implementation July 2008 onwards. Forid Meah, Head of Corporate Performance</p>
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