

# Partnerships and Governance

**Walsall Metropolitan Borough Council**

**Audit 2004/2005**

The Audit Commission is an independent body responsible for ensuring that public money is spent economically, efficiently and effectively, to achieve high-quality local and national services for the public. Our remit covers around 11,000 bodies which between them spend more than £180 billion of public money every year. Our work covers local government, health, housing, criminal justice and fire and rescue services.

As an independent watchdog, we provide important information on the quality of public services. As a driving force for improvement in those services, we provide practical recommendations and spread best practice. As an independent auditor, we monitor spending to ensure public services are good value for money.

### **Status of our reports to the Council**

Our reports are prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. Reports are prepared by appointed auditors and addressed to members or officers. They are prepared for the sole use of the audited body, and no responsibility is taken by auditors to any member or officer in their individual capacity, or to any third party.

### **Copies of this report**

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0845 0560 566.

© Audit Commission 2005

For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 020 7828 1212 Fax: 020 7976 6187 Textphone (minicom): 020 7630 0421

[www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)

# Contents

<b>Summary</b>	<b>4</b>
Introduction	4
Audit scope	4
Audit approach	5
How this report is structured	5
Main conclusions	6
<b>Detailed Report</b>	<b>8</b>
Walsall Borough Strategic Partnership	8
Health and Social Care Partnership	13
New Deal for Communities	18
<b>Appendix 1– Action plan</b>	<b>23</b>
<b>Appendix 2 – Checklist of good practice</b>	<b>28</b>

## Summary

### Introduction

- 1 The Council currently engages in a wide variety of partnerships to facilitate the delivery of services. These include direct service delivery partnerships, such as the pooled budget arrangements with Walsall tPCT, as well as more arms length partnerships where the Council is the accountable body for external funding, such as the New Deal for Communities.
- 2 Partnership working is widely seen as one of the best ways to deliver complex and interlocking services, and for improving local quality of life. It does, however, present a challenge to the Council in its duty to ensure accountability for the way in which public money is spent and for the quality of services it delivers.
- 3 The Council recognised, in its 2003/04 statement of internal control (SIC), a need for *'continuing to review and develop internal control arrangements in areas of New Deal, SRB and NRF and implement, as necessary, accountability agreements with partner bodies'*.
- 4 As part of the agreed audit and inspection plan we have undertaken an assessment of the effectiveness with which the Council ensures that its partnerships are properly established, and the extent to which it demonstrates good governance arrangements which account for both service delivery and the money spent.

### Audit scope

- 5 In conducting this audit we have sought to answer the following key questions.
  - Are partnership structures sound and are they working effectively?
  - Are there robust partnership agreements and protocols in place?
  - How does the Council ensure the delivery of strategic objectives through partnership working?
  - How effective and robust are the arrangements for decision-making and resource allocation?
  - How effective and robust are the performance and financial management arrangements?
  - How is good governance and accountability ensured in partnership working?

- 6 To answer these questions we have tested the arrangements in place at a sample of three partnerships. We chose the sample based on the partnerships' strategic significance and/or the level of resources involved. The partnerships chosen were:
- Walsall Borough Strategic Partnership (WBSP), including its Commissioning Executive;
  - Health and Social Care Partnership; and
  - Walsall New Deal for Communities (NDC).
- 7 We have taken a high-level look at the arrangements in place. We have not undertaken a detailed audit of procedures, controls or programme management arrangements. For each of the partnerships our focus has been slightly different, because of the nature of the partnership or because of recent developments in governance.
- For the WBSP, we have commented on the main partnership board but most of our commentary relates to the Commissioning Executive, as that is where decisions about commissions are taken and managed.
  - The partnership structures and decision-making arrangements at the Health and Social Care Partnership have recently been reviewed and we have focused on their potential effectiveness.
  - The Walsall NDC is unusual in that the partnership board is a separate, legally constituted body and the Council has a very important but 'arms length' role as accountable body. Although we make some comments about the NDC board, our focus here has been on the Council's role as accountable body.

## Audit approach

- 8 The audit was carried out between January 2005 and March 2005, by:
- reviewing documents, including terms of reference, protocols and formal agreements;
  - interviewing Council officers and members;
  - interviewing partners; and
  - taking into account Internal Audit work in these areas, and our own work on the certification of grant claims.
- 9 We would like to thank all those who assisted us in carrying out this audit.

## How this report is structured

- 10 Our main conclusions are set out in this summary section of the report. Our detailed findings and recommendations for each of the three partnerships can be found in the detailed section of the report, on pages 8 to 22.

- 11 The action plan is attached as Appendix 1.
- 12 To assist the Council further, we have produced a checklist of good practice in partnership governance, drawing on the findings from this audit and guidance elsewhere. This can be found in Appendix 2.

## **Main conclusions**

### **Walsall Borough Strategic Partnership**

- 13 The partnership's commissioning approach to allocating neighbourhood renewal funding is good practice. Commissions allow resources to be allocated in a more strategic way, with broader outcomes for the borough, and have the potential to more effectively engage mainstream funding. The partnership has a clear and comprehensive constitution, which has recently been reviewed, and there is a comprehensive framework for commissioning. Meetings are effectively minuted and reports and minutes are publicly available on the internet. The Council is playing a positive and supportive role on the partnership.
- 14 The partnership had to adjust its spend of NRF in 2004/05 to mitigate a potential significant under-spend of £1.4 million. Effective steps were taken to reduce this to an actual under-spend of £431,000. This was facilitated by strengths in governance arrangements, namely an effective Commissioning Executive and partnership secretariat, and high quality financial monitoring reports. The partnership needs to learn from the issues which led to the projected underspend and strengthen its commissioning and performance management arrangements accordingly.

### **Health and Social Care Partnership**

- 15 The revised partnership and executive structures in social care and health, which are shaped around different user groups, provide a clearer focus for strategic and user focused oversight, alongside a much clearer framework for decision-making and performance management. They have the potential to help deliver better, more joined up and more user focused services. Joint working between the Council and tPCT is developing strongly.
- 16 However, some of the user group partnership boards are still at an early stage of development, and some joint strategies for service delivery have not yet been developed. There is potential to learn from the learning disability partnership, where partnering and service integration is well established and where users, carers and stakeholders are effectively engaged. Performance management arrangements for some of the partnerships are at an early stage of development and there is scope to improve the analysis and reporting of value for money (VFM).

## **Walsall New Deal for Communities**

- 17 Following a difficult year in 2003, the Walsall NDC has made good progress with improving its governance arrangements. Financial reporting has significantly improved. Projects are progressing as expected and the Blakenall village centre is on budget and on target and is expected to open in June 2005.
- 18 The Council is carrying out its accountable body role effectively. An accountable body agreement is now in place. Senior Council officers attend the NDC board as observers and have worked hard to develop understanding about respective roles and responsibilities. Nevertheless, tensions remain and both Council and Walsall NDC need to ensure that these are effectively addressed and managed.

## Detailed Report

### Walsall Borough Strategic Partnership

- 19** Walsall Borough Strategic Partnership (WBSP) is the borough's local strategic partnership (LSP). Walsall is 1 of 88 areas nationally in receipt of neighbourhood renewal funding (NRF), for which the Council is the accountable body. NRF grant is meant to facilitate and underpin changes in the way mainstream budgets are used to improve services, and to narrow the gap between deprived areas and other parts of the country. In NRF areas, LSPs have a key role to play in delivering local neighbourhood renewal strategies and national floor targets. The context for LSPs continues to develop, for example with the development of next generation Local Public Service Agreements and Local Area Agreements.

#### **Are partnership structures sound and are they working effectively?**

- 20** The WBSP structures are sound and are working effectively, although there are some areas for further improvement.
- 21** The WBSP comprises a:
- Partnership Board, with senior representatives from key stakeholders;
  - a Commissioning Executive, comprising senior council officers and representatives from partner bodies; and
  - a number of theme groups, most of which are partnerships in their own right such as the Safer Walsall Partnership and the Health and Social Care Partnership.
- 22** In addition to the specific strategies and actions within theme groups, the partnership has developed a commissioning approach to the allocation of NRF funding, which has enabled it to be more strategic. Government Office for the West Midlands (GOWM) has commented that the commissioning approach has the potential to be national good practice. In broad terms, the role of the Partnership Board is to set the overall strategy, whilst the Commissioning Executive makes the detailed decisions about NRF allocation.
- 23** Although the commissions to date have dealt largely with NRF funding, the commissioning framework has the potential to play a broader role in drawing in mainstream funding to deliver partnership objectives. For example, the recent Health Inequalities Commission – where NRF funding is being used to map health inequalities and to develop an audit tool – has the potential to influence partner mainstream plans and budgets.



- 24 The partnership continues to review its progress and make changes where necessary. This is a strength. Since summer 2004 the Board has been meeting quarterly, where previously it was meeting monthly, and its membership has been streamlined. Its meetings are divided into a business session, followed by a strategic discussion. With the development of the Commissioning Executive, however, there is some lack of clarity about the role of the Board. To assist the Board in developing its more strategic role a consultant is being appointed to develop a learning and development plan for the partnership.
- 25 The Council is playing a positive and supportive role on the partnership. The WBSP Board is chaired by the Leader of the Council, and secretariat services, which are NRF funded, are hosted by the Council. There has been a recognition that the secretariat support - comprising a small, dedicated team led by a partnership director - has been very stretched and further recruitment is in hand.

### **Are there robust partnership agreements and protocols in place?**

- 26 The partnership has a clear and comprehensive constitution which sets out the agreed framework for its operation, including vision, terms of reference, structure and membership, and roles and responsibilities. The constitution was reviewed by the partnership Board in November 2004, taking into account advice from the Council's legal and constitutional services.
- 27 The Council has an appropriate accountable body protocol, which applies to all grants where the council is accountable body. This sets out broad guidelines for council officers, covering grant application, project management and financial administration.

### **How does the Council ensure the delivery of strategic objectives through partnership working?**

- 28 The partnership has an agreed set of priorities for commissioning, which fit well with the Council's corporate vision and priorities, and the Council sees partnership working as an essential ingredient for delivering its priorities. In addition, the Council has played an active and engaged role in developing the WBSP and its priorities. However, the community plan has only recently been refreshed and the council may need to review the fit between its strategic priorities and the community plan.

### **How effective and robust are the arrangements for decision making and resource allocation?**

- 29 There is a comprehensive framework for commissioning. Council finance and legal officers were consulted on the framework. There is also a helpful flow chart for developing, assessing, approving and performance managing commissions. The framework is being applied and should, as is planned, be formally kept under review.

- 30 The Commissioning Executive is operating effectively. It is being effectively chaired by the Council's Executive Director for Finance, Law and Performance, the quorum has been determined, and the format of reports and minutes have improved following advice from the Council's constitutional services function. Minutes now clearly record the decisions made, as well as the discussions. Agendas, reports and minutes (and those for the Partnership Board) are publicly available on the web, at [www.walsall.gov.uk/wbsp](http://www.walsall.gov.uk/wbsp). This is good practice and assists with transparency and accountability.
- 31 In 2003/04 the GOWM assessment of the WBSP found that all NRF resources had been effectively allocated. The commissioning process considers issues such as exit strategies, and the Council is clear that it will not automatically fund projects when their NRF funding expires.
- 32 The partnership secretariat and the council have recognised that there are a number of areas where commissioning needs to be strengthened, in particular:
- clarifying the application of EU procurement rules (one of the commissions was significantly delayed in 2004 because it came within these procurement rules); and
  - ensuring that robust and appropriate service level agreements (SLAs) underpin approved commissions.

### **How effective and robust are the performance and financial management arrangements?**

- 33 The Commissioning Executive receives updates at each of its monthly meetings on progress with commissions; in addition to finance reports on NRF spend. The finance reports are also presented to the WBSP Partnership Board. The Head of Finance for the Council's Regeneration and Built Environment Directorate has taken the lead on preparing the finance reports, and the quality of these reports has improved considerably:
- each project or commission is clearly shown, with named lead officers;
  - the format is very clear, and includes colour flags to highlight the overall financial 'health' of each project;
  - actual and projected spend is shown, with any projected under/overspend highlighted; and
  - the covering reports are concise and clear, and highlight the key issues and risks.
- 34 The commissions are still at a relatively early stage in terms of delivering on their outcomes. There have, however, been some good examples of added value in NRF spending, such as the *Ready, Steady Summer* programme, which has, for example, been associated with a significant decline in school arson.

- 35** There was an underspend of NRF funding in 2004/05. The finance report to the December 2004 meeting of the Commissioning Executive forecast a significant under-spend of £1.4 million, approximately 17 per cent of the NRF budget. The Commissioning Executive agreed to reallocate NRF in line with commissioning priorities and the final underspend and carry forward was reduced to £431,000. The majority of this is being allocated to commissions whose funding will be proportionately reduced in 2006. We note that GOWM agreed to increase the limit on carry forward of NRF into 2005/06, in light of the new commissioning approach, but the partnership did not need to make use of this flexibility. We understand that the Commissioning Executive will shortly be undertaking a review of commissioning. This will need to take account of learning from the issues which led to the projected underspend.
- 36** Although the partnership has recently improved the content and presentation of its performance management reports, and is beginning to make the links between service and financial performance, fully effective use of performance information is not yet taking place, and performance and financial monitoring are not comprehensively linked. A shared partnership information resource (SPIR) was launched in November 2004, which links to the Regeneration and Built Environment Directorate's management information system. The partnership secretariat recognises that the next step is to use this data resource to facilitate more effective programme and performance management.

### **How is good governance and accountability ensured in partnership working?**

- 37** There are a number of arrangements in place to facilitate good governance and accountability.
- Declaration of interests is a standing item on WBSP Board agendas.
  - There are clear agendas and reports, and minutes clearly record discussions and decisions made.
  - Partnership documents, including agendas, reports and minutes, are publicly accessible on the internet.
  - There are named substitutes for Commissioning Executive members.
  - The Council's Executive Director for Finance, Law and Performance chairs the Commissioning Executive, and the Executive Director for Social Care and Supported Housing is vice-chair.
  - The Regeneration and Built Environment directorate Head of Finance attends the monthly Commissioning Executive meetings, and prepares and presents the finance reports and contributes to the wider debate.
  - The partnership secretariat and NRF programme management team are employed by the Council, and there are effective working relationships between the secretariat, programme management and finance/performance officers in the Regeneration and Built Environment Directorate and the corporate core.
  - There have been reviews of the WBSP and of NRF by Internal Audit.

- The partnership and its theme groups have undertaken regular self-assessments.
- There is oversight from GOWM, including observation of WBSP Board meetings and annual performance assessment.

38 There are, however, a number of key areas for improvement which need to be addressed or kept under review.

- Strengthening and embedding commissioning and performance management arrangements, and keeping these arrangements under review.
- Making more effective use of performance information, and ensuring a robust link between performance and financial monitoring.
- Ensuring that the commissions are backed up by robust and appropriate SLAs.
- Ensuring clarity about procurement rules.
- Ensuring that the WBSP Board's role is clear and widely understood.
- Ensuring that partnership support resources are adequate.

<b>Recommendations - Walsall Borough Strategic Partnership</b>
<i>R1 Review commissioning and performance management arrangements, and strengthen as appropriate.</i>
<i>R2 Make more effective use of performance information and ensure a more robust link between performance and financial monitoring.</i>
<i>R3 Ensure that approved commissions are underpinned by robust and appropriate service level agreements.</i>
<i>R4 Put arrangements in place to periodically review the commissioning framework.</i>
<i>R5 Ensure that the EU rules on procurement are clear and well understood and properly applied.</i>
<i>R6 Ensure that the role of the WBSP Board is clear and widely understood.</i>
<i>R7 Ensure that resources for supporting the partnership are kept under review.</i>
<i>R8 Ensure a good fit between the refreshed community plan and the Council's strategic priorities.</i>

## Health and Social Care Partnership

- 39 The Health and Social Care Partnership (HSCP) is the key forum for partnering between the health and social care agencies in the borough. It is a theme group of the WBSP. There are a number of user group partnerships that sit 'beneath' the HSCP, covering learning disabilities, mental health, older people, and younger adults and disabilities. Over the last year there has been a significant review of the partnerships and the decision-making arrangements, and in this audit we have focused on these new arrangements. We have not covered the emerging partnership arrangements for children's services.

### **Are partnership structures sound and are they working effectively?**

- 40 Over the last year the HSCP has been reviewing its structures in response to some key drivers:
- recognition that there was some lack of clarity about decision making powers and arrangements;
  - national and local agendas for joint working and for delivering better, more joined up and more user-focused services, including Valuing People and Health Act pooled budgets; and
  - review of the WBSP and its theme groups, with a recognition of the need to re-focus on floor targets.
- 41 The Council and the partnership have put considerable effort into these reviews, including away days for the partnership board and reports to the partnership's joint executive group.
- 42 The structures that are emerging strike a good balance between facilitating more effective user and carer engagement, whilst ensuring greater clarity about resource allocation and performance management arrangements. We note that the new arrangements have been commended by the Department of Health's (DoH) Integrated Care Network. Joint working arrangements between the Council and health agencies are developing strongly. Key features are the following.
- The development of partnership executive groups (PEGs) that will sit alongside the user group partnership boards (UGPBs). These executive groups, comprising senior officers from the Council and NHS agencies, will be where the formal decisions about resource allocation are taken, utilising existing delegated authority arrangements. The UGPBs have significant user, carer and stakeholder representation.
  - The development of PEGs will reflect the existing arrangement at the HSCP Board, which has a joint executive group (JEG), comprising the council's executive director and portfolio holder, and NHS agency chief executives and non-executive board directors.

- There is now a clear distinction between the role of partnership boards, which will provide the strategic and user-focused oversight, and the executive groups, which will undertake the operational decision-making and performance management.
- The aim is for the executive groups to work closely with the partnership boards in developing strategies, and for the executive groups to hold themselves voluntarily accountable to the partnership boards.
- The appointment of jointly funded senior posts to lead service delivery across the council and tPCT, accountable to the PEGs, and to support the UGPBs.

- 43 Joint working between Council and tPCT is well established within the learning disability service area, and the joint head of service for learning disabilities has been in post for some time. The inspection of learning disability services by the Social Services Inspectorate in 2004 commented positively on the partnering arrangements and the quality of joint working, and judged that the service had excellent prospects for improvement.
- 44 Formalised joint working is at an early stage in younger adults and disabilities, and older people, although there is a long history of the agencies working together, eg on intermediate care. Joint heads of service for younger adults and disabilities, older people, and mental health have recently been appointed (April 2005). In mental health, there have been integrated teams for a number of years and there was a previous temporary arrangement for managing this service.
- 45 The UGPBs are, or will be, supported by the joint heads of service. In addition, a senior council manager supports the HSCP board. Support arrangements are working well for the learning disability UGPB, but are as yet untested for the other UGPBs. Support resources will need to be kept under review as the new structures become embedded.

### **Are there robust partnership agreements and protocols in place?**

- 46 Some of the user group partnerships are still at an early stage and are not yet working effectively. The younger adults and disabilities UGPB has recently agreed its constitution and is developing well, from a base which was too officer-led and where user groups lacked capacity. The PEG is in place and has been developing its terms of reference.
- 47 The older people UGPB has been established for two years and demonstrates good joint working, although formal decision making structures need refreshing. The PEG has been established and has been developing its terms of reference. The council and tPCT are committed to developing integrated services in this area, but recognise the complexities involved and are engaging support from the University of Birmingham to help with this.
- 48 The mental health UGPB is at a very early stage of development, although there is a long history of effective joint working in this area. Work is already underway to take further steps in service integration, based on a potential Section 31 pooled budget.



- 49 The learning disability UGPB is well developed. The service is fully integrated, with a jointly funded head of service and section 31 pooled budget, underpinned by a formal agreement and various protocols, such as on information sharing. There was input from legal and internal audit services, from both the council and tPCT, when these arrangements were being established. Respective roles of partnership board and section 31 pooled budget executive group (which is likely to be the new PEG) are well established and well understood.

### **How does the Council ensure the delivery of strategic objectives through partnership working?**

- 50 The Council is very clear that the partnering with the NHS, and the UGPB/PEG structure, is at the core of its work in social care and supported housing. The partnerships are not seen as an 'add on' to the day job, but as the mechanism for delivering user-focused and joined-up services. Links to the emerging children's partnership have been considered and a draft framework has been developed to outline how the partnerships might inter-relate, but this is still at a very early stage.
- 51 There are jointly agreed strategic objectives between the council and NHS agencies, and there is a joint strategy for learning disability. However, the other service areas have not yet developed their joint strategies for delivery. This work has slipped from 2004, due to the development of the partnership structures. Without agreed strategies the partnerships will not have a clear focus for service development.

### **How effective and robust are the arrangements for decision making and resource allocation?**

- 52 Decision-making arrangements within the learning disability service area are well established. The pooled budget executive group has agendas and reports, and meetings are clearly minuted. PEGs in the other service areas are at an early stage, but meetings have agendas and are also clearly minuted.
- 53 Budget planning cycles between council and tPCT do not align well, due to inconsistencies at national level, and this can cause managers practical difficulties when planning ahead. However, significant work has been undertaken to map the business planning arrangements between the Council and NHS bodies and to agree a joint framework for strategic planning, and partnership meetings at key times of the year help to mitigate the cycle mismatch. This should help to facilitate the development of more effective joint working.
- 54 Although the HSCP and its theme partnerships have largely been focused on the operational overlap between social care and health, it has engaged in the broader community strategy. The HSCP is a theme group of the WBSP, and it has recently received an approved NRF commission to develop a tool for improving mainstream work on health inequalities.

## **How effective and robust are the performance and financial management arrangements?**

- 55 Financial reporting arrangements within learning disability are working well. The pooled budget executive group, which includes senior finance managers from both the Council and tPCT, receives quarterly financial reports. In response to a recent external audit report on the section 31 pooled budget, finance managers have improved the information on trends.
- 56 There are monthly management meetings between the Council and tPCT to review performance in learning disability, and progress with the service plan is reported quarterly to the pooled budget executive group. In addition there is an annual review of the pooled budget agreement which considers progress against objectives. Minutes of the executive group are shared with the learning disability UGPB, and papers to the UGPB are clearly and plainly written. Reports do make some link between performance and spend; however there is scope to improve the analysis of value for money (VFM) and the head of service is currently reviewing this. Performance management arrangements for the other PEGs are at an early stage of development.
- 57 The intention with the new partnership structures is for the PEGs to undertake the detailed performance management of service delivery and to hold joint heads of service to account, and in turn for the UGPBs to hold the PEGs to account for delivery of the agreed strategy. This structure has the potential to enhance existing formal accountabilities within both Council and tPCT, by bringing in voluntary accountability to users, carers and stakeholders at the UGPB.

## **How is good governance and accountability ensured in partnership working?**

- 58 There are a number of arrangements in place to facilitate good governance and accountability.
- Greater clarity about formal decision-making powers, and about respective roles of partnership boards and executive groups.
  - Mainstreaming of social care and health work through the partnership structures, seeking to make better use of limited resources.
  - Potential for voluntarily accountability to users and carers to enhance existing formal accountabilities.
  - The learning disability UGPB is planning to undertake a review of the partnership during 2005/06, to include considering under-represented carers, eg young people.
  - PEGs comprise senior finance and service managers from Council and PCT.
  - PEG agendas and minutes.
  - Papers for learning disability UGPB clearly presented and written in plain language.



- 59 There are, however, a number of key areas for improvement which will need to be addressed or kept under review.
- Complete the preparation of joint strategies for service delivery.
  - Developing performance management arrangements and improving capacity to assess and evaluate value for money.
  - Continue work to align partner agency planning and budgeting cycles, working within the national context and constraints.
  - Ensuring that lay members of UGPBs have the capacity to undertake their roles effectively.
  - Ensuring that the partnerships are adequately supported.

<b><i>Recommendations - Health and Social Care Partnership</i></b>
<i>R9 Complete the development of joint social care and health strategies, and ensure that this process is adequately project managed.</i>
<i>R10 Ensure the development of sound performance management arrangements for all of the PEGs, including effective arrangements for evaluating and reporting value for money.</i>
<i>R11 Seek to ensure closer alignment between partner agency planning and budget cycles.</i>
<i>R12 Ensure that lay members on partnership boards have the capacity to undertake their roles effectively.</i>
<i>R13 Ensure that resources for supporting the partnership boards are kept under review.</i>

## New Deal for Communities

- 60 Part of the national strategy for neighbourhood renewal, the Walsall New Deal for Communities (WNDC) is a community-led programme covering Blakenall, Bloxwich East and part of Leamore, in the north western part of the borough. The government has provided £52 million of funding for the programme over ten years, from 2001 to 2011. Walsall MBC is the accountable body for this funding.

### **Are partnership structures sound and are they working effectively?**

- 61 The WNDC is a company limited by guarantee and a registered charity. Elected local residents form a majority on the board of directors, which also includes stakeholder representatives. There is, currently, an independent Chair. There are three WMBC councillors on the board, one nominated by the Council and two by the board. Three senior officers from the Council (including assistant directors for finance and regeneration) attend the NDC board as observers, representing the accountable body. In practice at least one of these officers is present at every board meeting. The development and management of NDC projects is overseen by various WNDC theme groups.
- 62 The Audit Commission has significantly qualified the WNDC grant claims for both 2002/03 and 2003/04. In 2003 the Council's Internal Audit service carried out investigations at WNDC and made a number of recommendations regarding governance and financial management arrangements. These included recommendations regarding:
- council representation and attendance at NDC board meetings;
  - developing an accountable body agreement;
  - a development programme for NDC board members;
  - NDC theme management; and
  - Operational, project management and contract procedures.
- 63 An action plan was developed for implementing the Internal Audit recommendations and we understand that good progress has been made, with all recommendations implemented.
- 64 WNDC continues to review its progress and development, with a self-assessment in 2004 to inform a mid-year review by GOWM and an away day for the board. The Council has been actively involved in these deliberations. There is good and effective leadership from the NDC Chair and Chief Executive, and there is good engagement by stakeholders, including the police and PCT. WNDC officers recognise that there are still some weaknesses to be addressed, such as developing the strategic role of the WNDC board and the capacity of board members, and to assist this process the WNDC has an agreed learning plan.

## Are there robust partnership agreements and protocols in place?

- 65** There is an accountable body agreement in place between WMBC and WNDC, which was drawn up with external specialist input and was approved by the WNDC board in April 2004 and by the Council in May 2004. This was one of the recommendations from the 2003 audit. The agreement sets the framework for the relationship between the two bodies, including respective obligations and dispute resolution. The Council's key role as accountable body is to ensure that proper financial management, monitoring and project appraisal systems are in place.
- 66** The Council is actively engaged in fulfilling its role as accountable body. In addition to attending WNDC board meetings, the Council's senior representatives gave a presentation to WNDC board members in December 2004 to outline responsibilities and roles under the agreement. The Council's representatives have also worked to resolve disputes and blockages between WNDC and the council, and have worked hard to strike the right balance in their role, taking a risk-based approach to their interventions. This has helped to ease tensions with WNDC resident directors who have had some concerns about the council's enhanced role following the audit in 2003. Nevertheless, there continue to be some tensions and misunderstandings between board and Council, and both parties must work to ensure that these are addressed and managed.
- 67** In addition to the agreement and the senior Council representatives, there are a number of other arrangements in place to facilitate the Council's accountable body role:
- WNDC staff are all employed by WMBC, seconded to WNDC;
  - the WNDC Chief Executive is a member of the Assistant Director Regeneration's management team;
  - the WNDC Finance Manager has a dotted reporting line to the Head of Finance, Regeneration and Built Environment Directorate;
  - sign off of New Deal grant claims by the council's Assistant Director Finance; and
  - the Council's Internal Audit has followed up their previous recommendations regarding financial management and operational procedures.

## How does the council ensure the delivery of strategic objectives through partnership working?

- 68** WNDC is engaged with both the borough's strategic partnership (the NDC Chief Executive sits on the LSP Commissioning Executive, and the NDC Chair sits on the LSP Board) and also with the area's Local Neighbourhood Partnership. WNDC was engaged in developing the Council's *Vision 2008*.

## **How effective and robust are the arrangements for decision making and resource allocation?**

- 69 The WNDC board meets monthly and there is a recognition that this may be too often, linking with the point made earlier regarding the board's strategic role. Decision-making arrangements are clear, although there is not currently an effective means of delegating some decisions to officers. A scheme of delegations is being developed. In light of the issues brought out in the 2003 audit of WNDC, Government Office currently restricts WNDC decisions to a maximum of £250,000. Bids for larger projects have to be referred to GOWM.
- 70 Despite considerable internal focus over the last year on its organisational improvement, WNDC has been proactive in planning for delivery. It developed a comprehensive delivery plan for 2004/05, and in January 2005 held a broad stakeholder conference to inform the 2005/06 delivery plan. The Council has helped to plug some of the gaps in the delivery plan, such as the development of a Housing Strategy for the NDC area, and has also assisted the NDC in risk management of its key projects.
- 71 There is recognition that the WNDC is not robust in identifying and securing matched funding. In addition, part of the WNDC work programme for 2005/06 will be to develop an exit strategy for post-2011.

## **How effective and robust are the performance and financial management arrangements?**

- 72 Financial reporting arrangements have significantly improved. An experienced finance manager is in post at the WNDC, and monthly monitoring reports are available to managers, with the board receiving quarterly reports. These include actual spend, variances and predicted outturn, and they also summarise progress with specific projects. Stakeholders appreciate the clarity and presentation of these reports.
- 73 Projects are monitored by WNDC staff on a quarterly basis, based on the outcomes, milestones and targets set out in the original project submissions. Progress is also overseen by the WNDC theme groups. In September 2004 WNDC adopted the 'System K' programme monitoring system, which is in use at the majority of NDCs. At their recent follow up audit, internal audit found there were still some deficiencies in project files, but we understand that WNDC has now addressed these.
- 74 Projects are progressing well, and in February 2005 the WNDC was slightly ahead of its spending profile for the year. WNDC's current main project, the Blakenall village centre, is on target and on budget and is due to open in June 2005. The project has been effectively managed by the architects.
- 75 However, arrangements for monitoring performance against objectives at board level are limited. Apart from the annual delivery plan, which reviews progress made, the WNDC board does not receive regular reports on progress against objectives.

- 76 Progress with the WNDC is not formally reported to the Council's executive. Such a report would give an opportunity for the council to take a strategic review of the WNDC contribution to borough-wide objectives and of the council's contribution to neighbourhood renewal, and could be part of a wider evaluation of partnership working.

### **How is good governance and accountability ensured in partnership working?**

- 77 There are a number of arrangements in place to facilitate good governance and accountability at WNDC.
- Elected local residents on WNDC board and independent chair. Good engagement by stakeholders. Elected councillor representation.
  - Engagement by WNDC in the borough's strategic partnership and with the area local neighbourhood partnership.
  - Code of conduct for WNDC board members and declaration of interests on WNDC board agendas. Council's Code of Conduct for elected members.
  - Accountable body agreement in place and senior council observers at WNDC board meetings. WNDC has its own firm of solicitors, who assisted in drawing up the accountable body agreement. WNDC has its own 'constitution': a memorandum of articles and association.
  - WNDC staff on secondment from the Council. Management links and dotted lines of reporting.
  - Significantly improved financial reporting.
  - Implementation of recommendations from 2003 Internal Audits
  - Oversight by GOWM. External and internal audit of WNDC. Certification of grant claims by Audit Commission.
- 78 There are, however, a number of key areas for improvement which will need to be addressed or kept under review.
- Improvements in governance arrangements are relatively recent and may need to be embedded.
  - Developing the strategic role and capacity of the WNDC Board.
  - Developing an effective WNDC scheme of delegations.
  - Developing robust strategies for attracting matched funding.
  - Developing robust exit strategies.
  - Improving performance management arrangements at WNDC Board level, to enable progress against objectives to be more effectively monitored.
  - Addressing and managing tensions between WNDC Board and Council.
  - Reporting progress with WNDC to the Council's executive, to facilitate a strategic review of progress with neighbourhood renewal and partnership working.

<b><i>Recommendations - Walsall New Deal for Communities</i></b>
<i>R14 Within the framework of the accountable body agreement, work with the Walsall NDC to improve strategies for attracting matched funding, exit strategies, the role of the board, and performance management arrangements.</i>
<i>R15 Put in place arrangements to periodically report progress with the Walsall NDC to the Council's executive, to facilitate a strategic review of progress with neighbourhood renewal</i>

## Appendix 1– Action plan

Page No.	Recommendations	Priority: 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
<b>Walsall Borough Strategic Partnership</b>						
12	R1 Review commissioning and performance management arrangements, and strengthen as appropriate.	3	Commissioning Executive  Partnership Director		There was not a significant underspend in 2004/05. However, it is important to ensure £7.1 million spend for 2005/06. The Commissioning Executive monitors this monthly. A sub-group has been established to identify proposals for any re-allocation of funds.  A review of commissioning is underway, initiated by the Commissioning Executive.	Continuous.  30 September 2005

Page No.	Recommendations	Priority: 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
12	R2 Make more effective use of performance information and ensure a more robust link between performance and financial monitoring.	3	Principal Partnership Officer		<p>The Commissioning Executive and WBSP Board receive performance information regularly which is seen as very effective by Partners. This is linked to financial monitoring and programme management.</p> <p>The reports are currently being evaluated to determine the extent to which finance and performance can be more closely linked.</p>	<p>Continuous.</p> <p>30 October 2005</p>
12	R3 Ensure that approved commissions are underpinned by robust and appropriate service level agreements (SLA).	3	Programme Management		Commissions are underpinned by Commission Agreements, which have been approved by Finance and Legal Services, adhering to the Accountable Body Protocol.	Annually – April.
12	R4 Put arrangements in place to periodically review the commissioning framework.	1	Principal Partnership Officer		The Framework was adopted early on and has been used. In addition, commissioning has been progressed significantly since the original framework. A review has already been initiated.	December 2005



<b>Page No.</b>	<b>Recommendations</b>	<b>Priority: 1 = Low 2 = Med 3 = High</b>	<b>Responsibility</b>	<b>Agreed</b>	<b>Comments</b>	<b>Date</b>
12	R5 Ensure that the EU rules on procurement are clear and well understood and properly applied.	2	WBSP Directorate		Advice is taken from legal, procurement and finance officers within the Council.	Continuous.
12	R6 Ensure that the role of the WBSP Board is clear and widely understood.	2	Strategic Intelligence Manager		A Partnership Support Programme is being developed, to clarify roles and responsibilities within the Partnership structure.	November 2005
12	R7 Ensure that resources for supporting the partnership are kept under review.	2	Director		Continuous through Commissioning Executive.	Continuous.
12	R8 Ensure a good fit between the refreshed community plan and the Council's strategic priorities.	2	Director		Work is underway to ensure these links.	October 2005
<b>Health and Social Care Partnership</b>						
17	R9 Complete the development of joint social care and health strategies, and ensure that this process is adequately project managed.	3	DM/DH		There is a robust set of expectations of the individual boards with clearly programmed activity. Strategies will be at different levels of sophistication in this first year.	October 2005

Page No.	Recommendations	Priority: 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
17	R10 Ensure the development of sound performance management arrangements for all of the PEGs, including effective arrangements for evaluating and reporting value for money.	3	DM/DH		Managing performance is a key activity within the partnership boards and work is ongoing to develop the linkages between activity and financial management.	Ongoing.
17	R11 Seek to ensure closer alignment between partner agency planning and budget cycles.	2	DM/DH		Work on this is ongoing, but in the context that there are some underlying timetable inconsistencies that cannot be resolved locally.	Ongoing.
17	R12 Ensure that lay members on partnership boards have the capacity to undertake their roles effectively.	2	DH		This will be considered on an individual basis as the Boards take shape.	August 2005
17	R13 Ensure that resources for supporting the partnership boards are kept under review.	2	DH		As the Boards develop the resource requirements will be assessed and JEG will oversee ongoing review.	Ongoing.

<b>Page No.</b>	<b>Recommendations</b>	<b>Priority: 1 = Low 2 = Med 3 = High</b>	<b>Responsibility</b>	<b>Agreed</b>	<b>Comments</b>	<b>Date</b>
<b>Walsall New Deal for Communities</b>						
22	R14 Within the framework of the accountable body agreement, work with the Walsall NDC to improve strategies for attracting matched funding, exit strategies, the role of the board, and performance management arrangements.	2	Tim Johnson and Andy Burns	Yes	Work is underway to attract match funding and progress is now included in quarterly financial monitoring reports to New Deal Board.	Ongoing.
22	R15 Put in place arrangements to periodically report progress with the Walsall NDC to the Council's executive, to facilitate a strategic review of progress with neighbourhood renewal.	1	Tim Johnson and Andy Burns	Yes	Progress reports to be agreed at frequency that suits EMT/Cabinet.	Ongoing.

## Appendix 2 – Checklist of good practice

Set out below is a suggested checklist of good practice in partnership governance. In preparing the checklist we have drawn on learning from this audit, as well as from other published guidance, such as *The Good Governance Standard for Public Services* ([www.opm.co.uk/ICGGPS](http://www.opm.co.uk/ICGGPS)). The checklist is not necessarily comprehensive; the Council may wish to add to it or adapt it, as a tool for assessing the governance arrangements of its other partnerships.

**Table 1      Good practice in partnership governance**

<b>Partnership structures, agreements and objectives</b>
Does the partnership have a clear and up-to-date constitution and is it widely understood?
Are roles and responsibilities clear and widely understood, eg the role of a strategic board versus theme or executive groups?
Are there adequate protocols and agreements in place, eg on sharing information, accountable body role, Codes of Conduct, etc.?
Is the purpose of the partnership clear?
Does the partnership have clear, stated objectives and strategies, linked to outcomes?
Has appropriate advice been taken when establishing and reviewing the partnership, eg legal, procurement and financial?
Are relevant statutes complied with, eg Health Act flexibilities?
Are all key stakeholders adequately represented, eg users, voluntary and community sectors, etc?
Do all representatives have the capacity and skills to contribute fully to the partnership?
Is partner representation at the right level and is there continuity of representation?
Is the partnership well chaired and led?
Are there adequate support arrangements for the partnership and are these kept under review?
Does the partnership regularly review its governance arrangements and its effectiveness, and does it make changes as a result?
Does the partnership fit well with other key partnership structures, eg the borough strategic partnership and the local neighbourhood

partnerships?
Is the Council getting the best use out of its partnerships, eg using partnerships as vehicles for delivering mainstream services?
<b>Decision-making arrangements</b>
Are decision-making arrangements clear and widely understood, eg does the partnership itself have decision making powers or does decision making rest formally with partner bodies?
Do partnership structures and protocols properly reflect the decision-making arrangements?
Where decision making rests formally with partner bodies, is the role of the partnership clear?
Do decisions flow from partnership objectives and strategies?
Are decisions properly informed, eg by good quality information on needs and by citizen/user views?
Are risks properly understood and are they managed appropriately?
Is the council's accountable body protocol being properly applied, where appropriate?
Are rules on procurement clear and well understood?
Are there effective service level agreements in place?
Are there adequate and appropriate arrangements in place to ensure proper scrutiny of and accountability for decisions?
Are agendas, reports and minutes clear and well written, and do they properly record decisions?
Are decision-making arrangements transparent to users and citizens, eg agendas, reports and minutes available on the web?
<b>Performance and financial management</b>
Are there effective arrangements in place for sharing and collecting timely information on performance?
Are there clear performance management arrangements in place?
Does the partnership receive performance reports and are they fit for purpose, eg do reports provide a clear picture of progress against objectives?
Are financial management arrangements effective and robust?

Does the partnership receive clear and comprehensive financial management reports?
Is the partnership able to establish how well it is achieving value for money, eg are performance and financial reports clearly and robustly linked?
Does the partnership make use of reports to proactively and robustly manage or oversee performance, and do things improve as a result?
Are there effective programme management arrangements in place?
Is it clear who is responsible for the delivery of objectives, commissions, projects, etc?
Is the partnership strongly user-focused and is it responsive to user views?
Are citizen and user views adequately accounted for in performance management arrangements?
Where appropriate, is the partnership working to align partner planning and performance cycles?
Does the Council evaluate the effectiveness of its partnerships?