



**Committee:** AUDIT COMMITTEE  
**Date:** WEDNESDAY, 26 JANUARY 2005  
**Venue:** MORECAMBE TOWN HALL  
**Time:** 6.00 P.M.

**A G E N D A**

1. Apologies for Absence
2. Minutes of the Meeting held on 26th October, 2004 (previously circulated)
3. Items of urgent business authorised by the Chairman
4. Declarations of Interest
5. Presentation of the Annual Audit and Inspection Letter 2003/04 - report of the Audit Commission (Pages 1 - 16)

Members of Cabinet, Overview and Scrutiny Committee and Budget and Performance Panel have been invited to attend for this item.

6. Licensing of Highway Amenities - Amendment of terms of reference of Licensing Regulatory Committee - report of Head of Legal Services (Pages 17 - 18)
7. Framework for Partnership Working and Contract Procedure Rules (Pages 19 - 88)
8. Internal Audit Charter (Pages 89 - 96)
9. Internal Audit Monitoring (Pages 97 - 104)
10. Results of Internal Audit Work (Pages 105 - 178)

**ADMINISTRATIVE ARRANGEMENTS**

**(i) Membership**

Councillors Malcolm Thomas (Chairman), John Gilbert (Vice-Chairman), Ian Barker, Jon Barry, David Kerr, David Whitaker and Geoff Wilson

**(ii) Substitute Membership**

Councillors Susan Bray, Shirley Burns, Chris Coates, Paul Gardner, Janice Hanson, Alex Stone and Joyce Taylor

**(iii) Queries regarding this Agenda**

Please contact James Doble, Principal Democratic Support Officer, tel 01524 582057, alternatively e-mail JDoble@lancaster.gov.uk.

**(iv) Changes to Membership, substitutions or apologies**

Please contact Members' Secretary, telephone 582170, or alternatively email memberservices@lancaster.gov.uk.

MARK CULLINAN  
CHIEF EXECUTIVE  
TOWN HALL,  
LANCASTER LA1 1 PJ

Published on 18<sup>th</sup> January 2005

**audit 2003/2004**

## Annual Audit and Inspection Letter

### Lancaster City Council

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**PAGES 12 - 15****Appendices**

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<b>Reference:</b>	LA007 Annual Audit and Inspection Letter
<b>Date:</b>	December 2004

## Executive summary

### The purpose of this letter

This is our audit and inspection 'Annual Letter' for Members which incorporates the Annual Audit Letter for 2003/04, and is presented by the Council's Relationship Manager and District Auditor. The letter summarises the conclusions and significant issues arising from our recent audit and inspections of the council.

We have issued separate reports during the year. These reports are listed at Appendix 1 for information.

Appendix 2 sets out the scope of audit and inspection.

Appendix 3 provides information about the fees charged.

## Key messages

### Council performance

In March 2004 the Council was assessed as a fair performing authority. It has developed an ambitious improvement plan and is demonstrating a clear focus on achieving that plan. It has achieved a lot in a relatively short space of time but much of this work will not impact immediately and it will be important to retain that strong focus, to ensure that it is a shared focus across the whole organisation and that a concentration on outcomes for the community is kept at the forefront of its thinking.

We have assessed the Council's approach to regeneration as fair, with promising prospects for improvement. The Council is addressing economic development although at present it is not sufficiently integrating its work (and the work of partners) in economic development with that in housing, community development, skills training and similar subjects. The council is now making progress in adopting a more joined-up approach and we believe progress will continue.

The Council's Best Value Performance Plan was compliant in all significant areas and followed statutory guidance. We identified a significant improvement in the quality of information provided to support some performance indicators but not across all and there is a need to continue to strengthen quality assurance arrangements for the production of performance information.

### The accounts

The financial statements present fairly the financial position of the Authority. We issued an unqualified opinion on 23 November 2004. To maintain financial integrity of the accounts, there is a need to improve the recording and valuation arrangements for fixed assets.

### Financial position

The Council's financial position has been strengthened in 2003/04 and this is continuing in 2004/05. Improved financial planning processes have contributed to controlling council tax increases whilst maintaining a sound financial base for the Council's future.

Arrears levels have improved across all major categories of income in the last year.

The Council's growing capital programme represents some challenges in terms of delivery and it will be important to ensure there is sufficient project management capacity available to deliver the planned programme.

### Other accounts and governance issues

Governance arrangements are generally sound within the Council. Internal Audit continues to be a key and effective part of the overall arrangements for ensuring internal financial control. Work is required to further develop the implementation of effective risk management practices and the monitoring of personal and prejudicial interests.

Formal investigations into the Crinkley Bottom Theme Park are now complete and appropriate actions have been taken by the Council. As a result the audits of the accounts for 1994/95 to 2000/01 are now closed. The audit of the accounts for 2001/02 to 2003/04 remain open due to the consideration of the lawfulness of decisions surrounding granting early retirement to a former employee.

### Action needed by the Council

- Maintain a concentrated focus on delivery of the Council's improvement plan.
- Implement the recommendations in our Regeneration inspection report.
- Improve the quality of performance information.
- Improve risk management arrangements over the next twelve months.

### Council performance

*In March 2004 the Council was assessed as a fair performing authority. It has developed an ambitious improvement plan and is demonstrating a clear focus on achieving that plan. It has achieved a lot in a relatively short space of time but much of this work will not impact immediately and it will be important to retain that strong focus, to ensure that it is a shared focus across the whole organisation and that a concentration on outcomes for the community is kept at the forefront of its thinking.*

### CPA and improvement

The Comprehensive Performance Assessment, (CPA), is a key element of the Government's programme to modernise public services. It is used as a basis for assessing the effectiveness of every Council in meeting their duties under the Local Government Act 1999, and provides each authority with a rating through a range of poor, weak, fair, good or excellent. In March 2004 the council was assessed as a fair performing authority.

Following this assessment the Council agreed an improvement plan to address the weaknesses raised within the CPA, building on improvements which were already underway and improvement areas identified from other sources. The improvement plan demonstrates a clear recognition and understanding of the improvement areas and there is a strong commitment to ensure its implementation and to achieve better outcomes for the community. The Council has already made progress in a number of areas. The following paragraphs comment on progress made under the four key questions asked within the CPA process.

What is the Council trying to achieve?

The Council has become clearer about what it is aiming to achieve. Members have revisited their priorities for both 2004/05 and 2005/06 with a view to achieving a much clearer expression of what the Council is trying to achieve and what its main priorities will be over the next few years. Early indications are that the 2005/06 corporate plan once agreed will provide a clearer expression of what the Council's priorities are and how it plans to deliver them, providing a better focus for officers and members when making decisions about the delivery of services.

The Council is developing its community leadership role. The corporate plan is now clearly linked to the Community Strategy on which there has been extensive consultation and various changes in members processes have been made to enable greater engagement with the community. Plans to develop an annual consultation plan to improve the way in which the Council consults with its community have been delayed due to a vacancy during the year but this has now been filled and work is expected to proceed.

Improvements have been achieved in the effectiveness of political structures and decision making. Key changes include greater roles and accountability for portfolio holders, improved focus of executive business, greater links between the executive and scrutiny roles, consultation liaison groups on specific issues, and a clearer remit for scrutiny.

There is still some resistance between members where decisions are required to reduce the Council's investment in some services, even though this is in line with the agreed corporate plan, but such decisions are nonetheless being taken. Whilst some of these changes are still relatively recent, benefits can already be seen in an improved focus on priorities and improvements, speedier decision making and more effective performance review. The way in which Full Council operates is to be developed in 2005.

An improved financial framework now exists which will assist the Council in retaining its focus on priority areas. The Council's new medium term financial strategy for the first time makes a clear statement about the levels of council tax increases Members are willing to agree to and identifies a forward forecast of the levels of savings which will be required to maintain council tax increases below 5 per cent whilst also enabling the Council to invest in the improvement of its services. The star chamber process which began in 2003 has been used more effectively in 2004 to support the development of the 2005/06 budget and to begin early work on the identification of potential savings areas for future years. Further development of the star chamber process will be needed to enable the Council to take more radical resourcing decisions to achieve the quality of services/outcomes which it desires.

How has the Council set about delivering its priorities?

The stronger financial position of the Council will help to support the delivery of its objectives although it is not yet in a position to quantify the resources needed to implement its improvement plans. The financial basis of the Council has improved again with better balances, a clear medium term financial strategy and the work of the star chamber. Delivery against the current year's budget looks good and the budget process for 2005/06 indicates that the Council is in a good position to meet its priorities for 2005/06. The Council's improvement plan includes some wide ranging changes which could have very significant resource implications for the future but it is not yet in a position to quantify these.

The Council agreed a new policy together with Lancashire County Council and the Police Authority to use the council tax increase income from those with second homes on initiatives to achieve the objectives of the Local strategic Partnership and the Community safety Partnership. This money has been successfully used in community projects for example to improve bus shelters, Lancaster bus station, projects for young people and projects dealing with victims of domestic violence. The Council has also continued its success in obtaining additional public funding for other initiatives within the area including £1 million for the Carnforth Market Town initiative.

Work is ongoing to produce an organisational and workforce development plan, the implementation of which will enable the Council to ensure that it has an adequately resourced and skilled workforce to enable it to deliver its objectives for the future. The Plan is expected to be agreed by the end of March 2005 and will be a key tool in enabling the Council to achieve the improvements it wishes for. A reduction in sickness absence from 14.5 days per fte to 12.5 days has been achieved, a 14 per cent improvement which whilst missing the target of 10 days is nonetheless significant.

The Council's approach to procurement is not yet sufficiently radical to significantly improve the Council's capacity to achieve its objectives. A new procurement strategy has been adopted by the Council which aims to help support the Council in achieving its priorities through a strong strategic approach to procurement. Work has been ongoing, developing partnering arrangements, e-procurement, encouragement of local markets and obtaining savings through a more strategic approach to various aspects of the Council's existing contractual arrangements. There remains a resistance to market test services and there is limited evidence of shared services. Such options are important to achieving the improved capacity which can be gained from effective strategic procurement.

The Council has become more focussed in the way in which it reviews performance although its approach to performance management is not yet fully effective. Review of performance at management team and cabinet level has improved through the identification of key performance indicators to achieve a more focused review of performance whilst the scrutiny function have used the more detailed performance information available to challenge individual services on their performance and to develop a programme of more detailed reviews. Work is also ongoing through the implementation of a new performance information and management system which will help the Council develop a clearer picture of how it can more effectively review performance. These developments need to be built on to ensure that the Council has a way of reviewing whether it is achieving improved outcomes for the community and to ensure that poor performance where it exists is effectively challenged and managed.

The use of risk management as a tool to ensure that the Council is able to achieve its objectives remains underdeveloped. The Council has begun to develop its approach to risk management and is reducing risks to the Council through for example, reducing insurance risks relating to vandalism and accidents. There has been work on the application of risk management to the corporate and business plans of the Council but this is limited and is not yet part of the normal planning processes of the Council to ensure that risks of non-delivery are identified early and action taken where appropriate.

What has the Council achieved/not achieved to date?

During 2003/04, most of the Council's services showed an improvement within their performance indicators, with significant improvements achieved in areas of high priority. 52 per cent of performance indicators showed improvement, with 36 per cent showing deterioration and 12 per cent staying the same.

Improvements include housing where private sector dwellings made fit, tenant satisfaction and housing repairs responsiveness all increased. Various changes have been made within housing to achieve a more effective service and to deliver the Council's strategy for its own housing stock. Household waste recycling is a clear priority for the Council and significant investment has gone into this area resulting in a 50 per cent increase in recycled waste and a doubling of the proportion of waste which is composted. Improvements in the planning service have also achieved speedier decision making on planning applications and a doubling of satisfaction levels. Reductions in burglary and vehicle crimes in the area were also noticeable.

Deterioration in performance in 2003/04 was most noticeable in the area of housing benefits. Housing benefits was marked for significant investment in 2004/05 following concerns about performance in this area and the impact of that investment is now showing through in the second quarter of 2004/05 with unaudited data showing performance moving from bottom quartile to upper quartile, resulting in much quicker processing of housing benefit claims.

The Council is not yet able to demonstrate that it is effectively engaging/understanding the communities it serves. User satisfaction since the last surveys in 2001 has reduced for most services across the Council other than housing and planning and those satisfied with the Council overall have reduced from 58 per cent to 48 per cent.

In the light of what it has learnt, what does the Council plan to do next?

The Council has developed ambitious plans for improvement of its services and the area.

The Council's Access to Services Review has been recognised by the Cabinet and senior officers, as a major driver for change which will lead to the transformation of its services generally. The commitment to the completion and implementation of this review is strong and ensuring the effective involvement by all relevant staff in its development will be important in the coming year.

A masterplan to transform the west end of Morecambe has been developed following extensive consultation with the local community and in partnership with a range of public and private organisations. Advance commitment to funding some of this work from English Partnerships has been obtained and agreement by all the principal partners is expected in December. The implementation of this plan together with the existing plans for the development of the Midland Hotel in partnership with the NWDA and Urban Splash aims to significantly improve the quality of living within Morecambe. Progress has also been made in the Lancaster area where contractual arrangements now exist for the development of Luneside East.

The Council continues to actively pursue learning through a variety of means including ongoing work with IDeA and engagement with various initiatives to share practice across Councils. It has continued with its management development programme, although this has only covered a small number of managers so far, and has run workshops around change management and being risk adverse for officers and members and plans to run more of these.

There are various examples of individual services sharing good practice internally but as yet there is no systematic approach to this. A staff attitude survey is being run for the first time this year and is planned to be run annually thereafter which will be a key starting point to helping the Council to develop and change.

### Regeneration and jobs inspection

During 2004 we completed an inspection following the Council's best value review of regeneration and jobs. We have assessed the Council's approach to regeneration as fair, with promising prospects for improvement.

Regeneration can be defined as the revitalisation of an area for the prosperity and wellbeing of all who live and work there. The aim of a council's regeneration activities therefore should be to make communities 'work' (again) in terms of economic viability, environmental sustainability and social cohesion.

The Council is addressing economic development. It has won EU and UK funding for a number of ambitious programmes to rehabilitate former industrial land for business and residential use, and companies praise the energy and helpfulness of its economic development service.

However, if disadvantaged residents are to benefit from the economic growth, the council must address social and environmental aspects of regeneration as well as economic ones. At present it is not sufficiently integrating its work (and the work of partners) in economic development with that in housing, community development, skills training and similar subjects. Its experience so far has been that regeneration programmes have produced mostly short term improvements in the prosperity and overall quality of life of residents in Lancaster district. It has also had little success in defining and measuring intended outcomes for residents from regeneration activity.

The Council is making progress in adopting a more joined-up approach. In Morecambe, where for some years deprivation has been concentrated, managers have learnt from the disappointing results of previous regeneration projects; new programmes cover a range of functions and are more firmly linked to the communities they serve. There is an infrastructure of employment advice, training, social enterprises and improved landscaping built up by previous initiatives, and recently announced plans to redevelop major landmarks will accelerate the process of raising morale.

The Council has experienced substantial growth in the amount of external funding it attracts for regeneration, and is actively pursuing strategies to increase that figure further. It is not updating its regeneration strategy at the same pace, or monitoring its processes, such as staff time absorbed in bidding for and managing projects.

The Council needs to make time from day-to-day project administration to do more strategic thinking about regeneration and needs to consider how to make regeneration sustainable in the long term.



Progress is now being made on these issues through the newly created Regeneration Vision Board. The Board has attracted funding of £200k from the NWDA and is dominated by private sector members. Through the activities of the Board it is expected that an economic regeneration strategy for the district will be developed and that additional funding from the public and private sector will be obtained for the area.

## Best Value Performance Plan and Performance Information

The Council's Best Value Performance Plan was compliant in all significant areas and followed statutory guidance. We have not made any statutory recommendations.

Our review of the Best Value performance Plan also includes testing of the accuracy of performance information within the plan. The systems for collecting and reporting on performance information are in place however the authority needs to continue to improve the accuracy of its performance information to ensure that it represents a sound basis for decision making.

Earlier in the year two BVPI workshops were attended by relevant personnel and introduced a new quality assurance proforma with the objective of improving the quality of information supplied and ownership. We identified an improvement in the quality of information provided to support some performance indicators but not all. There was a reduction in the number of PIs requiring amendment but the number of qualified PIs remained the same.

Issues included simple calculation errors, incorrect definitions applied, inadequate working papers and system inadequacies in extracting the required data. Of the four indicators that were qualified two were also qualified in the previous year, these were:

- adoption of local authority cultural strategy, due to insufficient information to support the PI; and
- percentage of responsive repairs, due to insufficient data recorded to support PI.

The Council should continue to strengthen its quality assurance arrangements for the production of performance information. This will support the reliability and accuracy of reported PIs throughout the year.

## Accounts and governance

*We have given your accounts an unqualified audit opinion. To maintain financial integrity of the accounts, there is a need to improve the recording and valuation arrangements for fixed assets.*

*Your overall corporate governance arrangements are satisfactory in most key areas however further work is required in relation to the implementation of effective risk management practices and the monitoring of personal and prejudicial interests.*

## Audit of 2003/04 accounts

*We gave an unqualified opinion on the Council's accounts on the 23 November 2004.*

### Core processes

The accounts of the council are an essential means by which Lancaster City Council accounts for its stewardship of those resources at its disposal and its financial performance in the use of those resources. The core process review examines the controls over the main accounting system, the effectiveness of budgetary control procedures and preparations for the production of the annual accounts. These systems are fundamental to effective financial control within the Council, the achievement of financial targets and the accuracy of the accounting statements.

In overall terms we found the Council's core processes to be working satisfactorily, providing assurance for the completeness and accuracy of the Council's financial statements. We have identified some areas for improvement to tighten control processes around the main accounting system.

## Financial statements

The Council's accounts were approved by the Council's Audit Committee on 28 July 2004, (a month earlier than previously). This was one month in advance of the required approval date under the Audit and Accounts Regulations 2003. Under these regulations the approval date for the 2004/05 accounts is the end of July and is not expected to cause a problem for the Council.

The most significant matters arising from the final accounts relate to the recording and valuation of fixed assets. Whilst some improvements have been made since last year, there is still a need to improve the arrangements for the maintenance of up to date and accurate asset registers to support the fixed asset values within the balance sheet.

Report to those with responsibility for governance in the council

We are required by professional standards to report to those charged with governance certain matters before we give an opinion on the financial statements. Following completion of the 2003/04 final accounts audit there were no issues that were required to be reported to members under SAS 610.

## Financial standing

*The council's financial position has been strengthened in 2003/04 and this is continuing in 2004/05. Improved financial planning processes have contributed to controlling council tax increases whilst maintaining a sound financial base for the Council's future.*

*The Council's growing capital programme represents some challenges in terms of delivery and it will be important to ensure there is sufficient project management capacity available to deliver the planned programme.*

The Council's overall financial position has been strengthened in 2003/04 with general fund and HRA balances both being above the levels which the council had agreed were the prudent minimum. The table overleaf summarises the overall level of balances and reserves.

Table 1: Level of available balances

Year	General Fund	Earmarked Reserves	HRA
	£000	£000	£000
2000/01	274	1191	1107
2001/02	1312	1393	328
2002/03	1306	1938	553
2003/04	1845	1863	832
Prudent level	1000	n/a	350

A clear policy has been agreed for the use of general fund balances where they are available as one-off 'invest to save' initiatives or to phase the impact of new expenditure over a number of years.

The 2003/04 budget highlighted that the Council faced a 20 per cent rise in council tax in 2004/05. Following a review of services through the newly adopted "Star Chamber" process together with the normal budgetary processes the council tax increase was reduced to 6.8 per cent in the finally agreed budget for 2004/05.

The latest corporate monitoring reports indicate the spending against the 2004/05 budget is on target which will support the continuation of a prudent level of reserves. The Council has a number of ambitious plans for improvement over the next few years and a solid financial base will be helpful to achieving delivery of those plans.

In addition a medium term financial strategy has been adopted which provides a clear financial framework within which the Council can plan its services over the next two to three years.

The Council's capital programme is expanding over the next few years following its success in obtaining additional grant support for economic development schemes and sea/river defence work. In 2003/04 capital expenditure was £7.9 million, whilst the 2004/05 programme is over £20 million. The 2003/04 capital programme was underspent by approximately £3 million due to delayed starts to major schemes which will be carried into 2004/05.

Given the growing nature of the capital programme it will be important to ensure that there is sufficient project management capacity available to deliver these major schemes within the planned time frames.

Currently the Council has chosen not to use the new freedoms afforded to it, to use unsupported borrowing to finance capital investment.

#### Debt recovery

We had previously raised issues regarding the debt recovery arrangements for the council's main categories of income. This year we have reviewed the council's current performance on debt recovery in more detail for its main income areas and any action taken to improve performance.

Significant improvements in performance have been achieved in arrears levels for NNDR, and sundry debtors together with a smaller improvement achieved in housing rent and council tax arrears.

The corporate monitoring reports to members/management team include factual information on the current position in relation to each category of debt however they do not provide any contextual information to help with the assessment of whether performance is good, bad or indifferent.

We have recommended that these monitoring reports be enhanced to include contextual information about debt collection to assist with a more meaningful evaluation of debt collection performance.

### Systems of internal financial control

*Internal Audit continues to be a key and effective part of the overall arrangements for ensuring internal financial control. Work is required to further develop the implementation of effective risk management practices.*

#### Internal Audit

The service provided by Internal Audit continues to be a key and effective part of the overall arrangements for ensuring internal financial control. In our assessment of Internal Audit we have found their coverage and quality of work to be of a good standard. In particular they take a strong risk based approach to their work to ensure resources are targeted most effectively.

#### Prudential Code

The Local Government Act 2003 received royal assent in September 2003. One key aspect of the Act is the introduction of the prudential regime for capital finance from 1 April 2004.

The prudential code provides the framework for the self regulation of an authority's borrowing and capital investment plans and the financing and other revenue costs flowing from them.

The authority has taken the initial steps in setting the required indicators and establishing a system of control for the new regime. Further work is ongoing to develop the systems to ensure effective ongoing monitoring is in place, risk assessments for individual capital projects are occurring, option appraisals are developed and procurement processes are updated.

#### Statement of internal control

Authorities are required to produce and publish a statement of internal control in the 2003/04 accounts. The Council have stated within this statement that they are currently not fully compliant with the regulations but have detailed as required the action to be taken to comply in 2004/05. This complies with the transitional arrangements for 2003/04. The main difficulty in achieving compliance this year is due to an underdeveloped risk management approach.

### Standards of financial conduct and the prevention and detection of fraud and corruption

*The council has appropriate policies and procedures in place to promote high standards of conduct and to prevent and detect fraud and corruption. However further improvements are required in relation to the collation and monitoring of personal and prejudicial interests.*

It is the responsibility of the Council to ensure that its affairs are managed in accordance with proper standards of financial conduct and to prevent and detect fraud and corruption. A number of good practice areas have previously been identified however these arrangements are only effective if they are adhered to by members and officers. For 2003/04 we focused our work on the arrangements for registering personal and prejudicial interests.

A register of pecuniary and prejudicial interests is maintained for all staff with declarations of interests sought on an annual basis via service heads. However whilst this request for declarations is made, the completion and return of registers is not monitored. The authority is currently reviewing its procedures for this in the light of the nation review that is underway for the update of the existing officer's Code of conduct. This should ensure that all registers are recorded as returned and action should be taken for any registers that are not returned.

## Legality of transactions

*The Council's overall arrangements for ensuring legality demonstrate most of the expected practices.*

*Formal investigations into the Crinkley Bottom Theme Park are now complete and appropriate actions have been taken by the Council. As a result the audits of the accounts for 1994/95 to 2000/01 can now be closed. The audit of the accounts for 2001/02 to 2003/04 remain open due to the consideration of the lawfulness of decisions surrounding granting early retirement to a former employee.*

The Council generally has appropriate arrangements in place to ensure the legality of its financial transactions through the review by relevant officers of ongoing decisions and actions being taken by the Council and through the pro-active response to new legislation and case law which could impact on the Council.

Our previous years' letters have referred to the investigations into formal objections raised by electors to previous years accounts in relation to Crinkley Bottom Theme Park. Last year's letter reported the outcome of that investigation and the need for us to consider the Council's response and actions in respect of the former Town Clerk with immediate payment of enhanced pension which the District Auditor had decided to be unlawful.

The Council has taken in its own legal advice and has agreed to a different pension provision for the former Town Clerk. The District Auditor has now concluded his work in this respect. As a result of the resolution of this issue the audits of the accounts for the years 1994/95 to 2000/01 have now been closed.

The Council is currently considering the lawfulness of decisions surrounding the granting of early retirement to another former employee. Until this matter is resolved the audits for the years 2001/02 to 2003/04 will remain open.

## Other work

### Grant claims

In accordance with Strategic Regulation, the Audit Commission has adopted a more risk based approach to the certification of grant claims. With effect from 2003/2004 the smaller claims have not been subject to audit or have received a lighter touch. The approach to larger claims has been determined by risk and the adequacy of the Council's control environment.

The Council's arrangements for managing and quality assuring grant claims submitted for audit has improved in recent years and we are pleased to report that no major issues have been raised.

The new approach taken to certification particularly given the good control environment which exists for most claims in Lancaster City is resulting in a reduced fee of approximately £11,000.

### National Fraud Initiative

The Council took part in the Audit Commission's national fraud initiative (NFI) 2002/03. The NFI, which is undertaken every two years, brings together data from local authorities, NHS bodies, government departments and other agencies, to detect a wide range of frauds against the public sector. Total savings from the 2002/03 exercise exceeded £83 million of which £36,118 savings were identified at Lancaster City.

The Commission are repeating the exercise this year and will again collect payroll, pensions, housing benefits, student loan and housing rents data from Authorities. Alongside the core exercise a number of pilot initiatives are being undertaken at selected sites. These are focused on risk areas that were highlighted by Authorities and include payments made to privately run care homes, abuse of blue badge parking permits, serial insurance claimants and duplicate payments to suppliers. These pilot areas, if they prove effective, will be incorporated into future NFI exercises.

## Looking forward

### Future audit and inspection work

We have an agreed plan for 2004/05 and we have reported in this letter those aspects that have already been completed. The remaining elements of that plan, including our audit of the 2004/05 accounts, will be reported in next year's Annual Letter.

We will seek to ensure, wherever possible, that our work relates to the improvement priorities of the council when planning our programme of work for 2005/06. We will seek to reconsider, with you, your improvement priorities in the light of the CPA assessment and your own analysis, and develop an agreed programme by 31 March 2005.

### Revision to the Code of Audit Practice

The Audit Commission has consulted on a revised Code of Audit Practice for application to the audit of the 2005/06 accounts. The new Code, which will be laid before Parliament in January 2005, is designed to secure:

- a more streamlined audit, which is proportionate to risk and targeted on areas where auditors have most to contribute to improvement;
- a stronger emphasis on value for money, focussing on corporate performance and financial management arrangements (rather than individual services and functions); and

- better and clearer reporting of the results of audits.

Further details will be provided in the Audit and Inspection Plan 2005/06.

## Closing remarks

This letter has been discussed and agreed with the Chief Executive and other senior officers. A copy of the letter will be presented to the next meeting of the Audit Committee.

The council has taken a positive and constructive approach to our audit and inspection I would like to take this opportunity to express my appreciation for the council's assistance and co-operation.

### Availability of this letter

This letter will be published on the Audit Commission's website at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk), and also on the council's website.



Mike Thomas  
District Auditor  
Relationship Manager

December 2004

## Status of our reports to the council

Our annual audit and inspection letter is prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. Annual audit and inspection letters are prepared by relationship managers and appointed auditors and addressed to members and officers. They are prepared for the sole use of the audited and inspected body, and no responsibility is taken by the Audit Commission or its appointed auditors to any member or officer in their individual capacity, or to any third party.

## Audit &amp; inspection reports issued

Report issued	Date
Audit plan	March 2004
Regeneration and jobs inspection	April 2004
Draft interim regularity report	August 2004
SAS 610 letter	November 2004
Draft Final Accounts report	January 2005
Draft Best Value Performance Plan and performance indicators report	December 2004



## Scope of audit and inspection

### Audit

Our main objective as your appointed auditor is to plan and carry out an audit that meets the requirements of the Code of Audit Practice. We adopt a risk-based approach to planning our audit, and our audit work has focused on your significant financial and operational risks that are relevant to our audit responsibilities.

Central to our audit are your corporate governance arrangements. Our audit is then structured around the three elements of our responsibilities as set out in the Code and shown in Exhibit 1.

The three main elements of our audit objectives



#### Accounts

- Opinion.

#### Financial aspects of corporate governance

- Financial standing.
- Systems of internal financial control.
- Standards of financial conduct & the prevention and detection of fraud and corruption.
- Legality of transactions.

#### Performance management

- Use of resources.
- Performance information.
- Best Value Performance Plan.



## Inspection

Inspection work is based around section 10 of the Local Government Act 1999, which requires us to carry out inspections and deliver reports that will:

- enable the Council and the public to judge whether best value is being delivered;
- enable the Council to assess how well it is doing;
- enable the Government to assess how well its policies are being implemented; and
- Identify failing services where remedial action may be necessary.

The Audit Commission has circulated to all audited bodies a statement that summarises the key responsibilities of auditors. Our audit has been conducted in accordance with the principles set out in that statement. What we say about the results of our audit should be viewed in the context of that more formal background.

## Audit and inspection fee

### Audit fee update

Audit area	Plan 2003/04 £	Actual 2003/04 £
Accounts	27,880	27,880
Financial aspects of corporate governance	22,970	22,970
Performance	36,330	36,330
TOTAL CODE OF AUDIT PRACTICE FEE	87,180	87,180
Additional code work related to legality issues for previous years	-	132,100
Grant Claim certification	47,000	36,000*
Additional Voluntary work (under Section 35)	-	-

*\*grant claim fee is an estimate since this work is not yet complete*

### Inspection fee update

The full year inspection fee is £14,000. The work reported in this audit and inspection letter has been funded by an element of the fee covering 2003/04 and by an element of the fee covering 2004/05. In both years the actual fee will be in line with that planned.

**Meeting of:** AUDIT COMMITTEE

**Date:** 26TH JANUARY 2005

**Report of:** HEAD OF LEGAL SERVICES

**Reference:** HLS

**Title:** LICENSING OF HIGHWAY AMENITIES – AMENDMENT OF TERMS OF REFERENCE OF LICENSING REGULATORY COMMITTEE

## **PUBLIC/EXEMPT ITEM**

This item is for consideration in the public part of the meeting.

## **PURPOSE OF THE REPORT**

To enable the Committee to recommend Council to amend the terms of reference of the Licensing Regulatory Committee following the making of Regulations which provide that the licensing of highway amenities is not to be a function of the Executive.

## **RECOMMENDATIONS**

**That the Committee recommends full Council to amend the terms of reference of the Licensing Regulatory Committee in the Constitution to include the granting of permissions under Section 115E and the publication of Notices under Section 115G of the Highways Act 1980.**

## **REPORT**

Under Section 115E of the Highways Act 1980, a Council may grant permission for the provision of services, amenities, recreation and refreshment facilities on pedestrianised areas of highway.

The powers have been used for the licensing of street cafes, to enable premises fronting on pedestrianised areas to have tables and chairs outside the premises for their customers.

The licences have been issued by Engineering Services, following guidelines issued by the Lancashire County Council as highway authority. The legislation contains various requirements for applications to be advertised and for any representations to be considered.

As Members will be aware, under the Local Government Act 2000, the functions of the Council are deemed to be functions of the executive or Cabinet, unless legislation or Regulations provide otherwise. As there were no Regulations to the contrary, the granting of permissions or licences under Section 115E of the Highways Act 1980 was an executive function. This appeared to be an anomaly, because, as Members will be aware, most licensing functions are specifically stated not to be executive functions, and are therefore within the terms of reference of the Licensing Regulatory Committee.

The government has now made Regulations to rectify the anomaly. The Local Authorities (Functions and Responsibilities) (Amendment No. 3) (England) Regulations 2004 amend the previous Functions and Responsibilities Regulations, and provide that, with effect from the 23rd November 2004, the power to grant permissions under Section 115E and ancillary provisions with regard to the publication of notices are not to be functions of the executive.

Accordingly, so that the Council's Constitution is consistent with these Regulations, the Committee is requested to recommend that the terms of reference of the Licensing Regulatory Committee be amended to include the grant of permissions under Section 115E of the Highways Act 1980, and the publication of notices under Section 115G of the Act.

**FINANCIAL IMPLICATIONS**

This change to the terms of reference of the Licensing Regulatory Committee would have no financial implications for the Council.

**LEGAL IMPLICATIONS**

The report has been prepared by the Head of Legal Services.

**COMMUNITY SAFETY IMPLICATIONS**

None

**HUMAN RIGHTS ACT IMPLICATIONS**

None

**RACIAL EQUALITY AND EQUAL OPPORTUNITIES IMPLICATIONS**

None

**SUSTAINABILITY IMPLICATIONS**

None

**MONITORING OFFICER'S COMMENTS**

The Monitoring Officer has been consulted and has no further comments to add.

**SECTION 151 OFFICER'S COMMENTS**

The Section 151 Officer has been consulted and has no further comments to add.

**BACKGROUND PAPERS**

None

**Meeting of:** AUDIT COMMITTEE

**Date:** 26 JANUARY 2005

**Report of:** HEAD OF FINANCIAL SERVICES

**Reference:** aud/audcom/260105/partnership framework & CPR

**Title:** FRAMEWORK FOR PARTNERSHIP WORKING & REVISED CONTRACT PROCEDURE RULES

### **PUBLIC/EXEMPT ITEM**

This item is for consideration in the public part of the meeting.

### **PURPOSE OF THE REPORT**

To inform Members of the development and implementation of a Framework for Partnership Working and the Procurement Through Partnering Guidelines, and to recommend that the Revised Contract Procedure Rules be submitted to Council for adoption.

### **RECOMMENDATIONS**

1. That the *Framework for Partnership Working* and the *Procurement through Partnering Guidelines* in support of the Council's Procurement Strategy be noted.
2. That the Audit Committee recommends that full Council adopts the *Contract Procedure Rules*, as amended, set out in this report.
3. That the Committee recommends to Council that all future amendments to the Constitutions Financial Regs/Contract Procedure Rules are delegated to the Audit Committee.

### **REPORT**

1. **FRAMEWORK FOR PARTNERSHIP WORKING AND PROCUREMENT THROUGH PARTNERING GUIDELINES**
  - 1.1 In line with the National Procurement Strategy for Local Government, the Council's Procurement Strategy set a target date of December 2004 for the Council to set out its approach to partnering in service delivery and in construction projects. This target was successfully achieved through the introduction of the Council's *Framework for Partnership Working* and the *Procurement through Partnering Guidelines* in November 2004. Both documents are available on the Procurement pages of the Council's Intranet and website.
  - 1.2 The documents were developed by the Procurement Strategy Group in support of the Council's Procurement Strategy and set out clear guidance on how the Council will meet the strategic objective of delivering better services to citizens through the creation of sustainable partnerships between the Council and suppliers in the public, private and voluntary sectors for the delivery of services and the carrying out of major projects, including construction.

- 1.3 The *Framework for Partnership Working* supports the Council's strong commitment to partnership working through the Community Strategy and related objectives in the Council's Corporate Plan and demonstrates how this will be achieved through working in partnership.
- 1.4 Specifically, the Framework defines what are considered to be the main policy drivers, types of partnership and service delivery models that will be subject to the framework and explains the main reasons for entering into a partnership. It also sets out the essential elements and features in setting up and sustaining a successful partnership arrangement in checklist form and incorporates a Partnership Assessment Tool aimed at providing a simple, quick and cost effective way of assessing the effectiveness of partnership working.
- 1.5 The Procurement through Partnering Guidelines provides more detailed guidance on partnering in construction based on the Governments Rethinking Construction principles. This form of partnering is one of the more advanced contract management techniques and the guide sets out the partnering process and principles to achieve enhanced contract performance and improved customer service. The Council currently has several partnering arrangements in place with private sector constructors for high value/high risk projects that have been procured on a best value for money basis.

## **2. REVISED CONTRACT PROCEDURE RULES**

- 2.1 Developments in best value procurement and partnership arrangements have required the revision of the Council's Contract Procedure Rules. The draft Contract Procedure Rules attached to this report set out, in much more detail than has previously been the case, officer responsibilities and accountabilities when procuring works, goods or services on behalf of the Council to ensure the highest standards of integrity and fairness and consistency in all its procurement activity.
- 2.2 Officers (referred to as Responsible Spending Officers) delegated authority in relation to procurements is set out in the revised Contract Procedure Rules taking into account the Key Decision process in relation to an executive function that is likely to result in revenue or capital expenditure exceeding £50,000, referred to as High Value Procurements in the Contract Procedure Rules. This represents a significant increase from the previous threshold for procurements subject to competitive tender of £20,000, but is considered to be a more realistic value, and has given the opportunity to increase the financial thresholds for both low value and intermediate procurements to up to £10,000 and £10,000 - £50,000 respectively.
- 2.3 In addition the Contract Procedure Rules provide more detailed guidance on procurements subject to the EU's Public Procurement Regulations, including Appendices setting out current financial thresholds and timescales for the receipt of tenders under each of EU Procurement Directives. Further information is also provided on tendering procedures and the requirements for procedures relating to 'Pre-Tender Market Research and Consultation, Invitation to Tender and Post Tender Negotiation, for example. Throughout the document footnotes provide explanations of various legal and technical terms; refer to supporting contract user guidance and policy documents available on the Council's Intranet, and identify where further support/advice can be obtained.
- 2.4 As more projects are procured on the basis of award criteria aimed at identifying the supplier capable of providing best value for money (rather than simply lowest price) taking into account quality aspects of the procurement and partnering arrangements, it is considered necessary to amend the Chief Executive's delegated responsibility for the award of contracts.

- 2.5** The current Scheme of Delegation does not allow the Chief Executive to accept other than the lowest priced tenders and as such the Contract Procedure Rules have been amended so that the Chief Executive may award contracts on behalf of the Council to the supplier submitting the most economically advantageous tender provided it does not exceed the approved budget provision identified in the business case for the procurement. As is the case currently the decision to award a contract where the tender sum exceeds the approved budget provision will be made by Cabinet.
- 2.6** The revised Contract Procedure Rules also support, and make reference to the Council's Procurement Strategy, particularly in relation to the need for a Corporate Procurement Plan setting out the Council's proposed projects for the next three financial years and the need for officers to establish a business case for the procurement and to consider the most appropriate procurement method. Under this section of the Contract Procedure Rules basic information is given on the types of procurement that may be considered, including Framework Agreements, joint procurement (collaboration) with other local Authorities and/or public bodies, partnering for construction projects and e-Procurement solutions.

### **3. CONCLUSIONS**

- 3.1** The *Framework for Partnership Working* and the *Procurement through Partnering Guidelines* have been implemented in support of the Council's Procurement Strategy approved by Cabinet on 03 August 2004. Members of the Audit Committee are requested to note that these documents have been developed and placed on the Council's Intranet and website as best practice guides and to provide information to potential partners of the Council's adopted arrangements for working in partnership.
- 3.2** It is the responsibility of Council in accordance with Part 3 § 1 of the Council's Constitution to adopt any proposed changes to the Contract Procedure Rules and, subject to the comments of Audit Committee, the Contract Procedure Rules, as amended should be recommended to full Council for adoption.
- 3.3** Compliance with these documents will be reviewed by Internal Audit in line with arrangements being made for the future assessment of the Council's internal control and corporate governance arrangements in accordance with the Accounts and Audit Regulations 2003.

### **FINANCIAL IMPLICATIONS**

There is no direct financial implication as a result of this report. The documents strengthen the Council's commitment to partnership working and achieving best value for money.

### **LEGAL IMPLICATIONS**

Legal Services have been consulted and have contributed to the drafting the revised Contract Procedure Rules.

### **RACIAL EQUALITY, EQUAL OPPORTUNITIES AND SUSTAINABILITY IMPLICATIONS**

The proposed revised Contract Procedure Rules raises awareness of the Council's obligations in relation to racial equality, equal opportunities and sustainability matters when carrying out procurement.

### **MONITORING OFFICER'S COMMENTS**

The Monitoring Officer has been consulted and his comments reflected in the report.

**SECTION 151 OFFICER'S COMMENTS**

The Section 151 Officer has been consulted and her comments are included in the report

**BACKGROUND PAPERS**

Council's Procurement Strategy



**LANCASTER  
CITY COUNCIL**

*Promoting City, Coast & Countryside*



# **LANCASTER CITY COUNCIL**

## **FRAMEWORK FOR PARTNERSHIP WORKING**

**November 2004**

## **FRAMEWORK FOR PARTNERSHIP WORKING**

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## FRAMEWORK FOR PARTNERSHIP WORKING

### 1. Introduction

- 1.1 Working in partnership with other organisations to deliver both individual and jointly agreed outcomes is now a core requirement in delivering effective public services. Due to recent legislation and other policy initiatives local authorities are increasingly expected to initiate, lead and engage in partnership working.
- 1.2 Partnerships are considered to be a more effective way to tackle highly resistant and complex problems. A partnership approach ensures co-ordinated action by agencies across a range of service and policy areas.
- 1.3 Partnerships also ensure that businesses, the voluntary sector and the community get involved, thus enabling them to identify problems and root causes, contribute their unique skills and perspectives, and play a part in developing consensus and ownership. It can also be a more efficient and effective use of scarce resources.

### 2. Purpose of the Framework for Partnership Working

- 2.1 The purpose of this framework is to provide a checklist for officers of Lancaster City Council who are considering involving the Council in either a partnership body or a partnering contract.
- 2.2 Every partnership body and partnering contract will have its own characteristics and it is not possible to cover every eventuality. The general information set out below, and use of the relevant checklist should, however, provide a good basis for serving to make the partnership work and to achieving the benefits of working in partnership.

### 3. Partnership Working and the Council's Corporate Plan

- 3.1 The Corporate Plan for 2004/05 is aligned with the **Lancaster District Community Strategy - A Vision for the Year 2020** and sets the Council's ambition of: ***'A vibrant district recognised for its high and sustainable quality of life, arising from social well-being, care for our environment and economic opportunity'***.
- 3.2 The Council has demonstrated its strong commitment to partnership working by adopting the ten themes of its Community Strategy as its Strategic Objectives in the Corporate Plan, and the Council believes that effective partnership working has a key role to play in the achievement of these objectives. This fundamental commitment is underpinned by the Council's core values, and in particular the core values relating to Community Leadership and Partnership and Improving Services which state:
  - **Community Leadership and Partnership - *'We will bring the community together to deal with the major issues facing our District and work with our Partners to deliver real improvement'***

- **Improving Services - 'We're committed to finding the best way to provide the services that meet our needs'**

3.3 The Council's Corporate Plan clearly identifies the importance of partnership working in achieving objectives across a wide range of areas of work and it is important that we understand how effective these arrangements are. With this in mind the Council has recently embarked on a phased programme of reviews, using a **Partnership Assessment Tool**, aimed at assessing the effectiveness of individual partnerships in contributing to the achievement of the Council's Strategic objectives.

3.4 The Partnership Assessment Tool has been designed explicitly as a development tool aimed at providing a simple, quick and cost-effective way of assessing the effectiveness of partnership working. As such it provides a practical way of:

- Helping newly formed partnerships to explore the views and aspirations of those embarking on a new venture. It provides a developmental framework for establishing a healthy and effective partnership by, amongst other things, highlighting what to avoid.
- Helping established partnerships take stock on a routine basis of how effective their process of partnership working is (i.e. provides an opportunity for a routine audit or health check)
- Helping partnerships which are experiencing difficulties to identify systematically areas of conflict (and consensus) and to move towards a remedial action plan. In such instances the value of the tool is diagnostic.

#### **4. What is a Partnership Arrangement?**

4.1 There is no authoritative definition of partnership arrangements in this context but the Council has adopted the following general definition of partnership working: *'Those agreed methods of working together as an integrated and co-ordinated team to achieve common objectives and shared benefits.'*

4.2 The following are considered to be the main policy drivers and types of partnership that will be subject to this framework:

- **Local Government Modernisation**

Local authorities need to help ensure the 'social, economic and environmental well-being of the area' by developing local Community Strategies through a strategic partnership with other public sector service providers and the private and community and voluntary sector on a multi-agency basis. The Council strives to achieve this through the Lancaster District Strategic Partnership (LSP) which was formed in 2001 following publication of the DTLR consultation paper on LSP's in October 2000.

Neighbourhood renewal is developed through community strategies and involves ward or neighbourhood level partnerships such as the Poulton Neighbourhood Management Board set up in 2002, overseeing a seven-year programme for the renewal of the Poulton Area.

- **Partnerships between different parts of the Council or between County and district tiers**

The increasing emphasis on cross-cutting approach in national, regional and local policy calls for greater corporate 'joining up'. Key links between Council Services include those between the Community Safety Partnership and Engineering and Leisure Services, and between Council Housing and Social Services. Initiatives such as the LSP and the Community Safety Partnership (set up under the legislative framework of the Crime and Disorder Act) also require greater joint working between county and district councils.

Section 101 of the Local Government Act 1972 provides for two or more local authorities wishing to undertake joint activities to set up a joint committee. An example of this would be the setting up of a joint committee for purchasing across more than one Council area. The Council has carried out joint working with Barrow-in-Furness and South Lakeland District Councils.

- **Local Partnerships focused on key objectives and strategies**

Government departments have initiated a range of partnership-based policy initiatives, requiring local partnerships to be developed around specific objectives and areas of service delivery. Some of these are statutory and include local partnerships such as the Local Agenda 21 Partnership formed in November 2001, and closer working with health bodies through, for example, the Council's partnership with the Morecambe Bay Primary Care and Acute Hospitals Trusts.

- **Funding-led partnerships**

Many funders require partnerships to be established in order to administer and oversee the spending of project funds. Such funding includes Single Regeneration Budget and European funding for an Economic Development Zone (EDZ) being overseen by the Lancaster District Regeneration Partnership and the Carnforth and Area Regeneration Partnership.

- **Regional partnerships**

The regional agenda places a new emphasis on the regional tier of partnership working. Partnerships at this geographical level often deal with economic development and regeneration issues. At this level the Council works with the Lancashire West Partnership, Regional Development Agencies and Regional Government Offices, amongst others.

- **National partnerships**

Local Authorities can get involved in national debate and decision-making through developing links with national local government organisations, such as the Local Government Association (LGA); through work with other national organisations, and directly with Government working groups and programmes.

- **Charities and Trusts**

Increasingly, local authorities have been setting up bodies with charitable status to provide services that had previously been provided directly by the local authority, in areas such as housing, leisure and social services.

- **Companies**

Sometimes it can be advantageous for Councils to be involved in setting up companies for specific purposes. Such partnerships become a body corporate in their own right having their own legal status. These can be companies limited by shares or guarantee, where the partner's liability for any company debt is limited to the guarantee they made when the company was formed - normally a notional amount. They are usually not-for-profit bodies with income being ploughed back into the partnership activities. They can enter into contracts on their own, buy and sell assets, sue and be sued and distribute assets on dissolution.

Such partnerships are regulated by the Companies Act 1985, although similar arrangements can be made using Industrial and Provident Societies, which would be a company under the control of the Registrar of Friendly Societies and therefore outside mainstream Company Law.

- **Partnering Contracts**

Partnering is one of the more advanced contract management techniques, which embraces joint management process measurement and improvement tools to achieve enhanced contract performance and improved customer service.

One of the important elements of partnering is that partners share the benefits and the risks in an agreed and quantifiable manner. For example, cost savings could be shared, as could profit, and both parties will share common objectives focused on achieving the desired outcome, and will have equal access to, and openly share, information and knowledge.

Through 'Re-thinking Construction' (the Egan Report) Government are keen for local authorities to explore new ways of working and part of that agenda is to avoid the adversarial nature of some contracts through working in partnership with the private sector. More detailed guidance on partnering as a contracting activity is provided in the 'Procurement through Partnering Guidelines'

- 4.3 The types of partnership outlined above, whilst not exhaustive, cover the main areas of partnership working, although it should be noted that other collaborative working is promoted by the Council as a necessary and beneficial element of providing efficient and effective services. In addition, the Council actively supports town and parish councils that are working towards achieving Quality Parish Council status.

## 5. Why enter into a Partnership?

5.1 Partnerships play a key role in the delivery of community strategies and in helping to promote and improve the well being of the Lancaster district. The Council will continue to deliver services, but recognises its distinctive leadership role in bringing together the contributions of its various stakeholders, including public sector agencies; private companies; community groups and voluntary organisations. Partnership working helps the Council to deliver a shared vision of services based on user wishes.

5.2 The main reasons for entering into a partnership are:

- **Co-ordination**

Systematic and regular communication between partners helps to avoid duplicating each other's work or inadvertently working against each other. It also helps partners find new ways to share risk and benefits and allows agencies to plan further ahead more confidently.

- **Creating more for less**

By pooling resources partners can achieve economies of scale and look at ways of accessing additional resources.

- **Tackling complex problems**

By bringing a broader range of perspectives, knowledge, information, strengths and skills to bear partners can provide new and better ways of delivering services and implementing actions to tackle complex or multi-dimensional problems.

- **Building Consensus**

Partners can work together to find mutually acceptable solutions and proposals, thereby building relationships and developing joint ownership and commitment. Partners can also deal with differences of interest within a partnership in a co-ordinated and constructive way, rather than working against each other outside of one.

## 6. What is involved in setting up a partnership arrangement?

### *Council's Interests*

6.1 In developing any partnership body or partnering contract, it is necessary to fulfil the following two basic requirements: -

- ensure that the essential elements of local governance, accountability and transparency are maintained within the proposed new arrangements for service delivery, and;
- that any risks associated with the proposed new arrangement for service delivery have been assessed and procedures put in place to effectively manage those risks.

### ***Partner Relationships***

- 6.2 A partnership body and/or a partnering contract will involve a relationship between parties which is designed to serve shared objectives based on: -
- a shared understanding of those objectives, and the aspirations of the parties;
  - a non-confrontational relationship based on trust and openness, but nevertheless the need for formal arrangements to be established;
  - a recognition of the diverse skills and expertise of the parties facilitating development and innovation;
  - a recognition of the need to share the benefits resulting from joint working;
  - a sharing of information; and
  - the need to work closely towards the resolution of disputes that may arise, to avoid wherever possible recourse to more formal procedures.

### ***Legal and Financial Relationships***

- 6.3 Partnership bodies and partnering contracts involve complex legal and financial relationships. It is, therefore, essential that the Head of Legal Services and the Head of Financial Services are contacted at the outset whenever consideration is being given to involving the Council in either of these types of relationship.
- 6.4 Advice and support on effective controls to ensure that resources are not wasted and on the key elements for funding and managing the project will be provided by the Head of Financial Services and the Head of Legal Services. This may include:
- a scheme appraisal for financial viability in the current and future years, in line with the Council's Financial Strategy;
  - risk appraisal and risk management;
  - resourcing implications and taxation issues;
  - audit, security and control requirements;
  - budgetary and accounting arrangements;
  - insurance and procurement issues;
  - application of Contract Procedure Rules and Financial Regulations;
  - consideration of potential liabilities that could be imposed on the Council;
  - arrangements for reporting partnership issues to Members and for consulting with current and potential partners.



### **Other Professional/Specialist Advice**

- 6.5 Depending upon the particular partnership arrangements being entered into, it will be advisable to involve other relevant professionals/specialists. The officer instigating the partnership arrangement should, at the earliest opportunity and in discussion with colleagues throughout the Council, identify what other professional/specialist advice, such as advice from Personnel Services, needs to be taken and make the necessary arrangements.

### **Cabinet Approval**

- 6.6 A report should be presented to Cabinet for approval for the partnership arrangement to be entered into. The report should take into account the professional/specialist advice, as referred to above, and set out the aims and objectives of the partnership. The report should also, nominate the Council's lead officer in respect of the partnership and set out the arrangements and frequency for reporting to Members on the performance of the partnership against its stated objectives. In this respect, annual reporting of the partnership's activities should be regarded as the minimum frequency.
- 6.7 Where any partnership arrangements are entered into, actions should also be taken to ensure that all partner organisations, including the Council, sign up to an agreed Protocol for Communication and the Sharing of Information.
- 6.8 Scrutinising the appropriate **Partnership Body** or **Partnering checklist** together with any other relevant individual circumstances should allow these requirements to be fulfilled.

## **7. What are the key features of a successful partnership?**

- 7.1 Effective partnerships can make all the difference but can be time and resource intensive, and without a clear focus resources can be spread too thinly and their impact dissipated. Government expectations are high and there needs to be a continuing drive for efficiency and effectiveness in partnership working.
- 7.2 The key features of a successful partnership, as set out in the Partnership Assessment Tool, are:

### **Action Focused**

- Shared values and agreed long-term vision of what it wants to achieve
- Effective use of input and feedback from local community and businesses
- Makes a positive impact, adding value and ensuring it is not working in isolation

### **Efficient organisation**

- Structure is conducive to decision-making with members reflecting the views of the agencies they represent
- Resources matched to aims, objectives and plans
- Effective administrative support and communications

***Inclusive Approach***

- Membership reflects the purpose of the partnership
- Ensures that all partners have the capacity and commitment to be fully engaged in the partnership
- Works democratically with accountability to stakeholders and decisions open to scrutiny

***Commitment to learn and develop***

- Learns from best practice, stakeholders and consultations
- Makes use of a range of skills and expertise of partnership members
- Adapts to a changing environment

***Effective performance management***

- Process includes clear milestones, outcomes, performance indicators and delivery dates
- Partners deliver what they have signed up to and share information to support planning and management
- Partners resources used effectively to meet the aims of the partnership

7.3 The partnership will need to develop an action plan that clearly sets out actions, responsibilities of individual partners and timeframes. This plan should not be rushed, but should be developed promptly after the goals and objectives of the partnership have been agreed, otherwise there will be a risk of delays and confusion arising. The partnership should manage and monitor the action plan and address delays and problems as a team, reviewing the plan as appropriate.

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**Partnership Body Checklist**

<b>Name of Partnership:</b>		
<b>Partners:</b>		
<b>Commencement date and intended duration:</b>		
<b>Purpose of partnership:</b>		
	<b>Control</b>	<b>Commentary</b> Refer to supporting documentation
<b>1</b>	<b>About the partnership</b>	
<b>Capability</b>		
1.1	Is there a business case which:- <ul style="list-style-type: none"> <li>Defines clear service objectives and an agreed and achievable long-term vision?</li> <li>Analyses the risk?</li> </ul>	
1.2	Is there measurable added value to be gained through partnership working? What benefits will be achieved for, the City Council, Partners and Citizens?	
1.3	Have the resource implications for the Council in terms of manpower and finance been identified as available?	
1.4	Has an assessment been made of the required linkages between partnership objectives and priorities and those of the Council?	
<b>Partners</b>		
1.5	Is the Membership both representative of the views of the organisations they represent (ensure appropriate seniority of commitment and engagement), and appropriate for the agreed purpose and objectives?	
1.6	Is there widespread ownership within the partner organisations and have potential barriers to success for any given partnership been identified?	
1.7	Have full contact details of partner organisations and their representatives been obtained?	
1.8	Has a clear framework for partner responsibilities and accountabilities, including Council officers and Members been established?	
1.9	Has an assessment been made to ensure that the partners have the skills, capacity and commitment to be fully engaged in the partnership?	
1.10	Have the contributions to be made by partners (e.g. financial, manpower, or contribution in kind) been established and agreed?	
1.11	On what terms will contributions be made and on what basis will they be valued?	

	<b>Control</b>	<b>Commentary</b> Refer to supporting documentation
<b>1</b>	<b>About the partnership (continued)</b>	
<b>Funding of the Partnership</b>		
1.12	In addition to partner contributions will the partnership require finance, capital and/or revenue, to deliver its aims and objectives?	
1.13	If so, on what terms is any funding to be made available, e.g. how will the contribution be shared amongst the partners and how will it be adjusted for inflation?	
1.14	Have all cost been included and apportioned accordingly? E.g. <ul style="list-style-type: none"> <li>• Administration &amp; management costs;</li> <li>• Cost of support Services i.e. Finance &amp; Personnel;</li> <li>• Premises costs and use of other assets;</li> <li>• Insurance costs;</li> <li>• Sick pay of employees when partners are contributing staff time;</li> <li>• Potential liabilities e.g. cost implications where a partner withdraws from the arrangement or reduces their contribution</li> </ul>	
1.15	Is any third party funding required? If so, who is the funder, what is the amount required and on what terms and conditions will it be made available?	
1.16	Should the partnership receive grant income have partners agreed that they will comply with the specified requirements and will provide the information required?	
<b>Risk</b>		
1.17	Have the potential risks associated with the partnership been considered, evaluated and placed where they can best be managed?	
1.18	Is there an effective system for identifying control and risk management issues, which considers: <ul style="list-style-type: none"> <li>• What is the probability of a risk materialising – high, medium or low?</li> <li>• What would be the impact – high, medium or low?</li> <li>• How can the risk be minimised, managed or mitigated?</li> </ul> Risks with a high probability and high impact demand most attention.	
1.19	Are there effective risk assessment and transfer, insurance and exit arrangements?	

	<b>Control</b>	<b>Commentary</b> Refer to supporting documentation
<b>2</b>	<b>Constitution</b>	
2.1	Is there a written constitution?	
2.2	Does it define membership of the partnership and who will be Chair and Vice-Chair?	
2.3	Does it cover such issues as: <ul style="list-style-type: none"> <li>How meetings will be conducted e.g. where meetings will take place, frequency, notice and quorum?</li> <li>The recording and distribution of agendas and minutes? Who will provide this role?</li> </ul>	
2.4	Does it identify: <ul style="list-style-type: none"> <li>The voting entitlement of representatives at partnership meetings?</li> <li>How any conflict between the interests of a partner representative and a matter being considered by the board must be declared?</li> <li>The resolution of conflict between partners?</li> <li>How changes to the Constitution will be approved?</li> <li>Each partner's responsibility in terms of Financial liability (i.e. is it limited/shared)?</li> <li>Who owns any assets and balances resulting from the partnership?</li> <li>Exit clauses and a mechanism for other variations to the agreement?</li> </ul>	
<b>3</b>	<b>Governance</b>	
3.1	Will a separate corporate governance framework be established or will an existing framework be adopted?	
3.2	Does the partnership have defined clear service objectives and an agreed and achievable long-term vision?	
3.3	Will the partnership have effective support and administration arrangements?	
3.4	Is there an effective system and processes for holding the partnership to account?	
3.5	In what way is the partnership accountable to its stakeholders?	
3.6	What is the role of Lancaster City Council in the partnership?	
3.7	Are there effective mechanisms for reporting back from the partnership?	
3.8	What arrangements ensure that partnership works democratically and are processes and decisions open to scrutiny and challenge?	

	<b>Control</b>	<b>Commentary</b> Refer to supporting documentation
<b>3</b>	<b>Governance (continued)</b>	
3.9	Is the overall purpose known and understood outside the partnership?	
3.10	Are the aims and objectives clear and agreed by relevant leading Councillors/Cabinet?	
3.11	Is there an agreed process for decision-making? To which statutory and voluntary bodies is the partnership accountable?	
3.12	Are there effective systems and processes to ensure fairness in the conduct of the partnership and to build up trust between partners?	
3.13	Is there a process to receive feedback to and from partner organisations?	
3.14	What are the operational partnership arrangements? Are they clear and concise, time limited and task orientated?	
3.15	Is there a process for self-assessment, which measures partnership development and not purely easily quantifiable performance information?	
3.16	What is the impact of the partnership on the Council as a whole? (i.e. sense of leadership)	
3.17	Does the partnership arrangement recognise that Councillors have a unique role, and consider what they can bring to each partnership? This could include: <ul style="list-style-type: none"> <li>• Democratic public accountability:</li> <li>• As representative of the community;</li> <li>• Responsibility for key local services;</li> <li>• Overall strategic knowledge and understanding;</li> <li>• Link to local communities and neighbourhoods;</li> <li>• As a voice for the socially excluded;</li> <li>• Personal skills, commitment and dedication.</li> </ul>	
3.18	Consider the most effective process for Member scrutiny of the partnership. This could be: <ul style="list-style-type: none"> <li>• Scrutinising the performance of partnerships through the overview and scrutiny function, or;</li> <li>• A Cabinet Member/Officer reviewing partnership performance and the Scrutiny committee taking an overview of the effectiveness of the process</li> </ul>	
3.19	Is there a process for effective and timely reporting back on partnership working to Council Members?	
3.20	How does the partnership contribute to the priorities outlined in the Lancaster District Community Strategy and the Corporate Plan?	

	<b>Control</b>	<b>Commentary</b> Refer to supporting documentation
<b>3</b>	<b>Governance (continued)</b>	
3.21	Is the partnership's contribution to the Community Strategy considered as part of the annual report/review of the partnership?	
<p><b>Note: The partnership will require an effective corporate governance framework, including Standing Orders, Financial Regulations and Procedures and Schemes of Delegation. The corporate governance framework need not be separate from that of the 'lead' partner, but may vary depending on the reason for the partnership being established, how it is formed and managed and the degree of independence it has from its participating members.</b></p>		
<b>4</b>	<b>Communication and Information Sharing</b>	
4.1	Have all parties signed up to a Protocol(s) for Communication and the Sharing of Information.	
4.2	Does the protocol promote relationships based on trust and openness and the need to share information for the benefit of the partnership and its stakeholders?	
4.3	Does the protocol incorporate the following: <ul style="list-style-type: none"> <li>• contact details for each partner organisation;</li> <li>• responsibilities for the providing and issuing information;</li> <li>• responsibilities for carrying out consultation;</li> <li>• information standards, where appropriate;</li> <li>• information security and confidentiality;</li> <li>• timescales where relevant</li> </ul>	
<b>5</b>	<b>Legal Responsibilities</b>	
5.1	What provision has been made for compliance with the law e.g. local government acts, procurement, health and safety, data protection, freedom of information, employment and service specific legislation?	
5.2	Is it necessary for the Partnership to have a formal computer security policy? If so what will this be based on (e.g. BS7799), and what will it cover?	
5.3	Who will be providing legal support to the partnership?	
<b>6</b>	<b>Financial Responsibilities</b>	
6.1	Will separate financial records for the partnership be maintained?	
6.2	Have required records been defined to ensure that all legal and other obligations are met?	
6.3	Is it clear how decisions on committing and reallocating partnership resources are made?	
6.4	Are systems in place to ensure that resources are properly accounted for?	

	<b>Control</b>	<b>Commentary</b> Refer to supporting documentation
<b>6</b>	<b>Financial Responsibilities (continued)</b>	
6.5	Who will be responsible for ensuring that financial records are maintained and kept?	
<b>Note: If this is to be provided by, or on behalf of the partnership by one of the partners or an external organisation, accurate and complete accounting and financial records in accordance with applicable laws and accounting principles must be maintained.</b>		
6.6	Are there clear arrangements for financial management (budgets, planning etc) and finance administration (salaries, invoices, cash handling and banking etc)?	
6.7	Do partners receive regular and understandable financial information about the partnership?	
6.8	Have arrangements been made for internal/external audit as required?	
6.9	Who will fill the roles of treasurer, secretary, and auditor?	
6.10	Have insurance requirements been considered and advice sought e.g. personal indemnity, third party and vehicles?	
6.11	Has advice been sought on the VAT rules applying to the partnership and any other tax issues that are relevant?	
6.12	Is it clear how financial affairs will be dealt with after the partnership has ended? (including, e.g. how assets and any ongoing financial liabilities will be dealt with)	
<b>7</b>	<b>Staffing Responsibilities</b>	
<b>Workforce Planning</b>		
7.1	Are the staffing requirements of the partnership known and are there plans in place to meet these?	
7.2	Are the budget implications of workforce planning known and accounted for?	
7.3	If the partnership is time limited are plans in place for staff relocation/end of contracts?	
7.4	Who is responsible for recruiting, employing and training staff?	
7.5	What terms and conditions will the partnership have in place to deal with personnel issues, and have these been made clear to staff?	
7.6	Is staff clear about their roles and obligations in delivering the partnership objectives e.g. an awareness of legal liability and governance framework (particularly in the case of directors/trustees)?	



	<b>Control</b>	<b>Commentary</b> Refer to supporting documentation
<b>7</b>	<b>Staffing Responsibilities (continued)</b>	
<b>Personnel Management</b>		
7.7	Are line management arrangements for partnership staff clear?	
7.8	Has staff development and training requirements been identified and training given?	
7.9	Are staff required to make a declaration where there may be a conflict of interest?	
<b>8</b>	<b>Budgetary and Accounting Arrangements</b>	
8.1	Has a business plan been provided for the partnership that includes the following: <ul style="list-style-type: none"> <li>An estimate of the working capital requirements of the partnership incorporated within a cash flow statement; and,</li> <li>An opening budget, including estimated capital and revenue expenditure requirements?</li> </ul>	
8.2	Will monthly (or as otherwise required) management accounts and reports containing such information as shall reasonably be required, be prepared and despatched to partners?	
8.3	What are the arrangements for:- <ul style="list-style-type: none"> <li>Approving budgets on an annual basis or otherwise?</li> <li>Monitoring expenditure?</li> <li>Dealing with overspends/underspends?</li> </ul>	
<b>9</b>	<b>Monitoring Service Delivery and Performance</b>	
9.1	Is there a service delivery plan including profiled budget and performance indicators? If so: <ul style="list-style-type: none"> <li>How many years does it span?</li> <li>How regularly will it be updated?</li> </ul>	
9.2	Has a clear performance management processes been developed for the partnership including indicators, target dates, milestones and outcomes?	
9.3	How will the performance of individual partners be monitored? Is there a process to check that all partners are effectively delivering agreed actions etc?	
9.4	Have all partners agreed critical success factors (both service aims and overall partnership objectives)?	
9.5	What are the arrangements for monitoring and reviewing how effectively the partnerships service aims and objectives are being met? How will this be reviewed and developed?	

	<b>Control</b>	<b>Commentary</b> Refer to supporting documentation
<b>9</b>	<b>Monitoring Service Delivery and Performance (continued)</b>	
9.6	What are the arrangements for monitoring and reviewing how effectively the partnership itself is working? How will this be reviewed and developed?	
9.7	Is there a process for reviewing and disseminating performance and monitoring information? How will this be developed?	
9.8	Does the partnership have measurable Key Performance Indicators?	
9.9	Are the roles and responsibilities and accountability for the achievement of the KPI's clear?	
9.10	Is there a process for the regular consideration and revision of partnership aims, objectives and arrangements?  As part of this process consider if the original objectives continue to meet the needs of the partnership and partner organisations.	
9.11	Is there an annual review of the purpose of the partnership that includes consideration of the need for partnership to continue?	
<b>10</b>	<b>Termination of the Partnership</b>	
10.1	How will the partnership be brought to an end?	
10.2	Will any partner have the right to withdraw from the partnership?	
10.3	If so, on what terms and what will be the effect upon the partnership?	
10.4	What mechanisms will be used to value and realise assets and determine liabilities? If a surplus, how will the surplus be shared between partners? If a shortfall, how will the shortfall be met by the partners?	

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## Partnering Contract Checklist

<b>Name of Partnering Contract:</b>	
<b>Partners:</b>	
<b>Commencement date and intended duration:</b>	
<b>Purpose of partnership:</b>	

	<b>Control</b>	<b>Commentary</b> Refer to supporting documentation
<b>1</b>	<b>Council Aims and Objectives</b>	
1.1	How are the Council's objectives for the contract communicated to the contractor?	
<b>2</b>	<b>Contractual arrangements</b>	
2.1	Is the contract clear and understandable?	
2.2	Are the responsibilities of both parties set out clearly (e.g. who does what, when and where and who pays what and when)?	
2.3	Is duration of contract clear? Can it be extended and, if so, under what terms?	
2.4	Are relevant work-force issues included where these are lawful?	
2.5	Are there any requirements about consulting customers/public?	
2.6	Is a break clause relevant (i.e. where either party wishes to end the contractual relationship)?	
2.7	What are the liaison arrangements between Council and Contractor?	
2.8	What role does contractor play in helping local population at times of adversity (e.g. gritting, snow clearing, flooding) and what role has contractor in civil emergencies?	
2.9	How can things be changed (e.g. changes to work carried out)?	
2.10	Does the contract fully set out all restrictions relating to service delivery (e.g. hours of work, advertising restrictions, sub contracting)?	
2.12	Have all requirements of Contracts Procedure Rules been complied with (including tendering procedure, liquidated damages, cancellation for impropriety, EU Procurement Regulations and form of contract)?	

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Partnering Contract Checklist

	<b>Control</b>	<b>Commentary</b> Refer to supporting documentation
	<b>Contractual arrangements (continued)</b>	
2.13	What happens if contract cannot be delivered due to some outside factor (e.g. inclement weather, national shortage of critical materials, strike)?	
2.14	What happens if things go wrong (e.g. withholding payments, damages, termination)? Does this also cover the issue of problems with innovative service delivery?	
2.15	Is the issue of who provides material, equipment, depot and labour fully addressed?	
2.16	Does the contract state that this is not a 'partnership'? (The creation of a partnership gives rise to some complex liabilities/responsibilities between the partners). The Council's Head of Legal Services should be consulted on this point.	
<b>3</b>	<b>Financial Responsibilities</b>	
3.1	Is the payment procedure clear?	
3.2	Is VAT and all other taxes (including employment-related taxes) properly dealt with?	
3.3	How is cost inflation dealt with?	
<b>4</b>	<b>Legal Responsibilities</b>	
4.1	How will disputes be settled (e.g. mediation, adjudication, arbitration, courts)?	
4.2	Have the following issues been considered i) Confidentiality? ii) Disability Discrimination Act? iii) Human Rights Act? iv) Contracts (Rights of Third Parties) Act? v) Environmental legislation? vi) Employment law (including TUPE)? vii) Data Protection Act/ viii) Freedom of Information Act?	
<b>5</b>	<b>Insurance</b>	
5.1	Insurances – this needs to be fully covered.	

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Partnering Contract Checklist

	<b>Control</b>	<b>Commentary</b> Refer to supporting documentation
<b>6</b>	<b>Health and Safety</b>	
6.1	Health and Safety – is this properly covered?	
6.2	Have all potential risk liabilities been fully considered?	
6.3	Has all necessary information been provided to contractor, including information about all potential hazards?	
<b>7</b>	<b>Staffing Responsibilities</b>	
7.1	Are relevant and necessary quality systems, minimum qualifications/experience of staff and collection of service delivery data all covered?	
<b>8</b>	<b>Monitoring Service Delivery</b>	
9.1	Are service delivery standards and targets clear?	
9.2	Are innovations encouraged (e.g. innovative ways of delivering a service) and what happens to any resulting cost saving?	
9.3	What arrangements are in place to monitor and report service delivery?	

## Partnership Assessment Tool

### Effective Partnerships

Effective partnerships can make all the difference but can be time and resource intensive, and without a clear focus resources can be spread too thinly and their impact dissipated. Government expectations are high and there needs to be a continuing drive for efficiency and effectiveness in partnership working

The key features of a successful partnership are:

#### **Action Focused**

- Shared values and agreed long-term vision of what it wants to achieve
- Effective use of input and feedback from local community and businesses
- Makes a positive impact, adding value and ensuring it is not working in isolation

#### **Efficient organisation**

- Structure is conducive to decision-making with members reflecting the views of the organisations they represent
- Resources matched to aims, objectives and plans
- Effective administrative support and communications

#### **Inclusive Approach**

- Membership reflects the purpose of the partnership
- Ensures that all partners have the capacity to be fully engaged in the partnership
- Works democratically with accountability to stakeholders and decisions open to scrutiny

#### **Commitment to learn and develop**

- Learns from best practice, stakeholders and consultations
- Makes use of a range of skills and expertise of partnership members
- Adapts to a changing environment

#### **Effective performance management**

- Process includes clear milestones, outcomes, performance indicators and delivery dates
- Partners deliver what they have signed up to and share information to support planning and management
- Partners resources used effectively to meet the aims of the partnership

## How can the assessment tool help you?

Do you want to ensure that your partnerships:

- ✓ Are efficient and effective?
- ✓ Are action and outcome focused?
- ✓ Measure their progress effectively?

If so, then this assessment tool will provide a simple, quick and cost-effective way of assessing the effectiveness of partnership working. It enables a rapid appraisal (a quick 'health check') to be undertaken which identifies problem areas, and allows partners to focus on remedial action and resources proportionate to the seriousness and urgency of the problems.

It has been designed explicitly as a development tool and, as such, provides a practical way of:

- ✓ Helping newly formed partnerships to explore the views and aspirations of those embarking on a new venture. It provides a developmental framework for establishing a healthy and effective partnership by, amongst other things, highlighting what to avoid.
- ✓ Helping established partnerships take stock on a routine basis of how effective their process of partnership working is (i.e. provides an opportunity for a routine audit or health check)
- ✓ Helping partnerships which are experiencing difficulties to identify systematically areas of conflict (and consensus) and to move towards a remedial action plan. In such instances the value of the tool is diagnostic.

In particular the tool helps to:

- ✓ achieve partnerships that are outcome focused, effective and efficient
- ✓ demonstrate the value of partnerships to stakeholders and Government, for example, in the context of best value and comprehensive performance assessment

**It will not**, on its own, tell you how all the problems associated with partnership working should be addressed. **It does**, however, provide a common framework (and vocabulary) for partners to develop a jointly owned approach to tackling some of the barriers to effective partnership working.

## Using the Tool

Partners will then need to become familiar with the material. This can be done by:

- ◆ bringing partners together to discuss the material and to complete the assessment exercise;
- ◆ partners reading the material and carrying out the exercise individually if they prefer or if it is difficult to bring partners together, or;
- ◆ through facilitation that helps to manage the process and encourages openness by the partners.

In completing the assessment exercise each partner will complete five assessment profile sheets aimed at assessing the partnership's performance against the following criteria:

- action focus
- efficiency
- inclusivity
- learning and development
- performance management

Each profile sheet contains a set of statements and you are asked to indicate your response. When completing your response it is important to bear in mind what lies behind each statement, and to help you the profile sheets set out 'Points to Consider' against each statement. You are also invited to summarise what are, in your opinion, the main strengths and weaknesses of the partnership and to suggest actions for improvement.

### **Making full use of the assessment process**

The results of the self assessments and the key actions identified will be communicated to partners for discussion with a view to a plan being developed which identifies and agrees remedial action.

Through full and proactive use of the partnership evaluation process it is expected that it will have a wider application by, for example, assisting to:

- ✓ develop a database of information on partnerships
- ✓ identify and disseminate good practice
- ✓ benchmark partnership performance
- ✓ support decisions
- ✓ support the council's Best Value and Comprehensive Performance assessment processes.



## Action Focus

How the partnership establishes common priorities and targets and agreed actions and milestones, leading to demonstrable improvements against measurable targets.

	No or don't know	Yes sometimes	Yes with room for improvement	Yes, real Benefits shown	Excellent	<p><b>Points to Consider</b></p> <p>Consider whether the partnership:</p> <ul style="list-style-type: none"> <li>has a vision and priorities that relate to relevant national, regional, local and EU strategies and policies</li> <li>is forward-looking, focusing on opportunities as well as problems; future possibilities as well as past trends</li> <li>uses an appropriate set of contextual indicators, has a clear understanding of where it started from and monitors change at agreed intervals</li> <li>uses information well and avoids 'paralysis by analysis'</li> <li>gets effective input and feedback from local business, public sector and community organisations</li> <li>recognises that only a minority are members of representative organisations and reaches out to individual businesses, people and target groups</li> <li>responds to the specific needs of individual sectors</li> <li>always provides feedback on the results of consultations</li> <li>has challenging targets whilst recognising the time-lag that can occur between actions and successful outcomes</li> <li>recognises that the success of the partnership may involve an element of risk and is prepared to try innovative approaches</li> <li>has included 'quick wins' to show that it can deliver</li> <li>recognises the extra effort and cost that is often needed to reach disadvantaged groups and areas</li> <li>is making an identifiable and measurable contribution using an agreed set of performance indicators and well chosen local indicators</li> <li>achieves good customer satisfaction ratings</li> <li>promotes and publicises its achievements effectively</li> <li>demonstrates that its activities add up to more than the sum of the individual parts</li> <li>relates its work to other organisations and partnerships and avoids duplication of effort</li> </ul>
1. Does the Partnership have a shared set of values and a clear, agreed long-term vision of what it wants to achieve?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
2. Does it keep under review relevant needs, problems and opportunities using appropriate performance indicators?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
3. Does it make effective use of input from local businesses, the community and voluntary sector and public sector organisations?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
4. Has the partnership established priorities and an action programme to achieve them with challenging targets and defined milestones?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
5. Does the partnership have a positive impact on the way services are delivered?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

### Action Focus

Summarise the main strengths and weaknesses of the partnerships and suggest follow up actions to improve the partnership in the spaces below

---

**Things we do well**  
( Please specify )

**What things we could do better**  
( Please specify )

---

**Recent improvements we have made**  
( Please specify )

**What things we should start doing**  
( Please specify )

---

**Our innovative approaches**  
( Please specify )

**What things we should stop doing**  
( Please specify )

---

**Additional comments arising from questions**  
( Please specify )

## Efficiency

How the partnership achieves effective organisation and support and ensures resources are used as productively as possible.

	No or don't know	Yes sometimes	Yes with room for improvement	Yes, real Benefits shown	Excellent	Points to Consider Consider whether the partnership:
1. Is the partnership structure conducive to decision making?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<ul style="list-style-type: none"> <li>has a lead body that gives pro-active and effective leadership</li> <li>has an effective chair</li> <li>has a structure that is 'fit for purpose' with management arrangements that promote effective decision-making whilst at the same time having broader partnership arrangements that encourage wider involvement</li> <li>makes use of 'task groups' to tackle key issues</li> <li>has members that are able to make decisions and commit the organisations they represent to relevant partnership issues</li> </ul>
2. Do partnership members reflect the views of the organisations they represent?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<ul style="list-style-type: none"> <li>has effective arrangements for organising meetings</li> <li>has effective arrangements for communication between meetings</li> </ul>
3. Is the administrative organisation and support effective?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<ul style="list-style-type: none"> <li>is receiving appropriate resource contributions from individual partners</li> <li>is successful in identifying and leveraging in external resources through grant aid, sponsorship etc</li> <li>has access to a sufficient range of specialist staff and relevant skills and expertise</li> </ul>
4. Are there sufficient financial and staff resources to enable the partnership to meet its aims and objectives?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<ul style="list-style-type: none"> <li>reviews and challenges, on a regular basis, what it does and why it does it; the need for its continuing existence and the activities it carries out</li> <li>has a plan for managing change in the way it works</li> <li>has developed an exit strategy, if it is time-limited</li> </ul>
5. Has consideration been given to the lifespan of the partnership and whether it should continue? Is this reviewed regularly?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

## Efficiency

Summarise the main strengths and weaknesses of the partnerships and suggest follow up actions to improve the partnership in the spaces below

---

**Things we do well**  
( Please specify )

**What things we could do better**  
( Please specify )

---

**Recent improvements we have made**  
( Please specify )

**What things we should start doing**  
( Please specify )

---

**Our innovative approaches**  
( Please specify )

**What things we should stop doing**  
( Please specify )

---

**Additional comments arising from questions**  
( Please specify )

## Inclusivity

How the partnership actively involves all the key players - public, private, community and voluntary sectors and service users including, businesses, business organisations, employees, unemployed etc

	No or don't know	Yes sometimes	Yes with room for improvement	Yes, real Benefits shown	Excellent	Points to Consider
1. Does the partnership ensure that its membership reflects the purpose of the partnership?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<p>Consider whether the partnership:</p> <ul style="list-style-type: none"> <li>involves the key players relevant to its area of activity as members (e.g. the Council, Police, business organisations, ethnic, community and voluntary group, university and colleges etc)</li> <li>takes a dynamic approach to membership and does not regard its current membership as set in stone</li> </ul>
2. Does the partnership ensure that all partners have the capacity to be fully engaged in the partnership?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<ul style="list-style-type: none"> <li>invests time and effort in building the capacity of the business, community and voluntary sectors to participate fully in its work</li> <li>has effective mechanisms to encourage involvement and generate enthusiasm and ideas e.g. focus groups, away days, visits etc</li> </ul>
3. Does the partnership ensure effective input from service users (e.g. businesses, unemployed etc.) into its work and does it try to reach non-users?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<ul style="list-style-type: none"> <li>achieves input from service users and intended beneficiaries (e.g. businesses, social enterprises and the unemployed)</li> <li>attempts to reach and understand the needs of potential users of services provided</li> </ul>
4. Does the partnership work democratically and is it accountable to stakeholders?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<ul style="list-style-type: none"> <li>is managed and chaired so as to be able to provide an inclusive and impartial overview</li> <li>ensures its decisions are open to scrutiny e.g. through public meetings, minutes recorded and being made available publicly</li> <li>provides information on its activities and feedback on consultations</li> </ul>
5. Does the partnership reach out and address the needs of disadvantaged areas and groups?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<ul style="list-style-type: none"> <li>involves the wider community of local businesses and people using an appropriate range of techniques including user satisfaction and opinion surveys, public meetings, business forums, focus groups, consultation documents</li> <li>takes active steps to reach and address the needs of disadvantaged neighbourhoods and groups including an assessment of any differential impact in rural areas</li> </ul>

## Inclusivity

Summarise the main strengths and weaknesses of the partnerships and suggest follow up actions to improve the partnership in the spaces below

---

**Things we do well**  
( Please specify )

**What things we could do better**  
( Please specify )

---

**Recent improvements we have made**  
( Please specify )

**What things we should start doing**  
( Please specify )

---

**Our innovative approaches**  
( Please specify )

**What things we should stop doing**  
( Please specify )

---

**Additional comments arising from questions**  
( Please specify )

## Learning and Development

How the partnership builds on best practice from other partnerships and encourages learning and development across all sectors of and partners.

	No or don't know	Yes sometimes	Yes with room for improvement	Yes, real Benefits shown	Excellent	<p><b>Points to Consider</b></p> <p>Consider whether the partnership:</p> <ul style="list-style-type: none"> <li>• makes use of specialist sources and networks such as IDEa knowledge, Regen.net - the regeneration network, Audit commission, Ruralnet - the UK rural development network, Neighbourhood Renewal unit</li> <li>• takes active steps to learn from elsewhere - from Beacons, different sectors and other areas, including developing links with other partnerships - locally, regionally and nationally, to share experience and best practice</li> <li>• actively disseminates knowledge and best practice e.g. having a dedicated sub-group, partners reporting on conferences and seminars attended, producing best practice notes etc</li> <li>• can demonstrate making use of best practice to develop its processes and actions and adapt to change</li> <li>• understands the full breadth of the partnerships activities and its links with other partnerships and service areas</li> <li>• learns from and makes use of all appropriate partner experience and skills</li> <li>• has a commitment to developing partner skills and knowledge</li> <li>• has a systematic approach to reviewing its actions and approaches and takes time to learn what works, where and why, making use of an agreed set of performance indicators</li> <li>• uses input and feedback from consultations with stakeholders, businesses, local communities, target groups, service users and non-users to inform and drive improvement</li> <li>• has a systematic approach to identifying and evaluating the circumstances when members leave or fail to engage fully and takes the necessary steps to address issues that arise</li> <li>• has a flexible approach, changing course when needed to reflect changing needs, problems and opportunities, changes in national, regional and local strategies and priorities and changes in the organisational context including the development of other partnerships.</li> </ul>
1. Does the partnership learn from and disseminate best practice?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
2. Is appropriate use made of the wide range of skills and expertise of partnership members?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
3. Does the partnership learn from stakeholders and consultations, and apply this to service development?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
4. Does the partnership find out why members leave or fail to engage with the partnership and learn lessons for the future?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
5. Is the partnership able to adapt to a changing environment?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

## Learning and Development

Summarise the main strengths and weaknesses of the partnerships and suggest follow up actions to improve the partnership in the spaces below

---

**Things we do well**  
( Please specify )

**What things we could do better**  
( Please specify )

---

**Recent improvements we have made**  
( Please specify )

**What things we should start doing**  
( Please specify )

---

**Our innovative approaches**  
( Please specify )

**What things we should stop doing**  
( Please specify )

---

**Additional comments arising from questions**  
( Please specify )



## Performance Management

How the partnership manages its performance in relation to its aims and objectives

	No or don't know	Yes sometimes	Yes with room for improvement	Yes, real Benefits shown	Excellent	Points to Consider
1. Does the performance management process include clear milestones, outcomes, performance indicators and delivery dates?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<p>Consider whether the partnership:</p> <ul style="list-style-type: none"> <li>has a systematic approach to performance management that all partners have signed up to</li> <li>has a clear focus on delivering outcomes, with an agreed approach to their measurement that is consistent and reliable</li> <li>has an agreed set of performance indicators and agreed definitions for their use and measurement e.g. what constitutes a job created or safeguarded (For more details visit: <a href="http://www.audit-commission.gov.uk">www.audit-commission.gov.uk</a>)</li> <li>has an agreed approach and protocol regarding individual partners wishing to claim an identifiable share of partnership achievements</li> <li>self-critically compares and benchmarks its performance and activities with other relevant partnerships to identify significant differences, their causes and whether improvements are required</li> <li>uses comparison and benchmarking as a key input to planning and driving improvements</li> </ul>
2. Is the financial position monitored and reported regularly to the partnership?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<ul style="list-style-type: none"> <li>has appointed an accountable body, if appropriate, to be responsible for its finances with an agreed process for regular monitoring and reporting</li> <li>has an agreed accounting process making use of CIPFA's Best Value Accounting Code of Practice</li> </ul>
3. Do partners deliver what they have signed up to?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<ul style="list-style-type: none"> <li>has a clear understanding of what individual partners have agreed to do on the partnership's behalf</li> <li>has a process for monitoring and reporting on particular inputs and outputs</li> </ul>
4. Are partners' resources used effectively to meet the aims of the partnership?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<ul style="list-style-type: none"> <li>can demonstrate overall cost-effectiveness, whilst recognising the extra costs of delivering services to some areas and disadvantaged groups</li> <li>has an agreed systematic approach to measuring the cost of partner inputs based on the 'total cost' principle of the Best value Accounting Code of Practice (For more details visit: <a href="http://www.cipfa.org">www.cipfa.org</a>)</li> <li>recognises the reliability limitations of apportioning costs to individual partnership activities</li> </ul>
5. Do partners share information to support planning and management?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<ul style="list-style-type: none"> <li>has developed a common approach to collecting, analysing and sharing information between partners with agreed data definitions</li> </ul>

## Performance Management

Summarise the main strengths and weaknesses of the partnerships and suggest follow up actions to improve the partnership in the spaces below

---

**Things we do well**  
( Please specify )

**What things we could do better**  
( Please specify )

---

**Recent improvements we have made**  
( Please specify )

**What things we should start doing**  
( Please specify )

---

**Our innovative approaches**  
( Please specify )

**What things we should stop doing**  
( Please specify )

---

**Additional comments arising from questions**  
( Please specify )

**LANCASTER  
CITY COUNCIL**

*Promoting City, Coast & Countryside*



# **LANCASTER CITY COUNCIL**

## **PROCUREMENT THROUGH PARTNERING GUIDELINES**

**1<sup>st</sup> Edition**

**November 2004**

**PROCUREMENT THROUGH PARTNERING GUIDELINES**

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## 1 Partnering is a Contracting Activity

- 1.1 With Best Value procurement increasing the focus on competitive purchasing practices in the public sector, contracting is becoming increasingly sophisticated and aimed at generating maximum benefits for local authorities.

*Partnering is one of the more advanced contract management techniques which embraces joint management, process measurement and improvement tools to achieve enhanced contract performance and improved customer service.*

- 1.2 Advanced models of partnering include strategic alliances and facilities management arrangements - both long-term supply relationships of strategic importance to customer service delivery.
- 1.3 In partnering arrangements, suppliers and contractors are selected using multi-criteria selection process based on functional and performance-based specifications. Partners are also selected on reputation, their own ability to control and improve business processes, their understanding of the vision, mission, values and objectives of the Authority and for their ability to become part of a team. In these contracts innovative payment arrangements can reflect an understanding of value for money and total cost.
- 1.4 One of the important elements of partnering is that partners share the benefits and the risks in a previously agreed and quantifiable manner. For example, cost savings could be shared, as could profit, and both parties will share common objectives focused on achieving the desired outcome, and will have equal access to, and openly share, information and knowledge.
- 1.5 Through 'Re-thinking Construction' (the Egan Report) Government are keen for local authorities to explore new ways of working and part of that agenda is to try and get away from the adversarial nature of some contracts through working in partnership with the private sector.
- 1.6 The application of a partnering approach is widening but might not suit all situations. Generally, partnering should be adopted in situations where strategic gains in cost and quality can be delivered and where service requirements are complicated or continuously developing.
- 1.7 Partnering strengthens relationships with contractors and suppliers, and is arranged through normal contracting processes in accordance with established procurement procedures. Active contract management techniques are employed to ensure the contract requirements are delivered. The contract should be re-appraised periodically using a pre-arranged and agreed procedure and process to ensure openness, transparency and best value for money, and after an agreed period (e.g. five years) the contract should be re-tendered to ensure open competition.

**CONTRACT PLANNING**



**CONTRACT INFORMATION**



**CONTRACT MANAGEMENT**



- Identify customer needs
- assess risks and issues
- consider partnering and remuneration options
- consider procurement plan/strategy

- establish selection criteria
- issue public tender inviting partnering proposals
- evaluate proposals and remuneration models

- set common objectives
- develop issue resolution process
- establish joint management structure
- establish action plans

- include deliverables/outputs
- develop performance criteria
- incorporate performance measures
- prepare contract management plan

- monitor performance
- measure customer satisfaction
- plan-do-check-act
- active contract management

- evaluate contract
- re-tender to ensure open competition
- re-award contract

## **2 The Partnering Process**

### **2.1 Planning**

2.1.1 Partnering should be considered for contracts that are critical, strategically important or require an innovative approach. Preparing a procurement plan is particularly important for strategic, innovative or complex projects or where the contract value is high (e.g. likely to exceed £1 million). This plan should provide a checklist of key issues and set out how critical specific services are to core business activities. Arrangements should be made for the potential risks associated with the partnering contract to be considered, evaluated and placed where they can best be managed. There should be an effective system for identifying control and risk management issues which considers:

- What would be the potential impact should a risk materialise?
- What is the probability of the risk materialising – high, medium or low?
- What would be the impact – high, medium or low?
- How can the risks be minimised, managed or mitigated?

2.1.2 The Council needs to clearly define customer needs (which of course are dynamic) and this information should be incorporated into the tender specification and used throughout the lifecycle of the contract, and particularly to monitor the contractor's performance.

2.1.3 Consideration should also be given to intellectual property ownership, payment mechanisms and associated incentives, which will form an important element of the partnering arrangement.

2.1.4 In establishing a partnering contract the risks and human resource issues, such as employment status and possible union involvement, should be considered. The financial and legal responsibilities of all parties should also be identified at the planning stage and a contract management plan should be developed.

### **2.2 Tendering**

2.2.1 The partnering selection process follows tendering guidelines in a robust and auditable process and results in a formal contract.

2.2.2 As part of the tendering process, an appropriately skilled selection team should be used to develop performance based selection criteria (which may include the extent to which risk is proposed to be shared) to be used during evaluation. Partnering proposals and remuneration models should then be evaluated against the predetermined selection criteria and contracting objectives.

2.2.3 The selection team should conduct a due diligence process to ensure the recommended tenderer has the capacity, including financial viability, to fulfil the contractual obligations.

## 2.3 Partnering Workshops

*The purpose of the partnering workshop is to establish a sense of joint mission and set common objectives and guidelines for the further development of the relationship.*

- 2.3.1 Issue resolution processes, joint management structures and action plans are developed during partnering workshops.
- 2.3.2 It is important that the people who have the greatest influence in making the relationship work, not just senior management, attend the workshops.
- 2.3.3 Senior managers should attend if they play an active role in work processes, or if their presence is considered necessary to demonstrate commitment.

## 2.4 The Contract

- 2.4.1 Partnering relationships are commercial contracts that require performance measures through the use of Key Performance Indicators (KPI's) to assess not only the effectiveness of the partner organisation but also the Council's ability to deliver. Rigorous contract management and performance reviews are required to ensure contract obligations are delivered. Detailed guidelines on contract management are available from the Internal Audit section of the Intranet within Financial Services.
- 2.4.2 Most partnering relationships are also outlined in a non-binding Partnering Charter (see Appendix A) which formally details the mission and objectives of the partners and demonstrates the commitment of the key people involved.

## 2.5 Continuous Improvement

- 2.5.1 Continuous improvement in partnering involves a team approach to determine whether work processes are meeting the needs of customers, and where necessary, to improve them.
- 2.5.2 Performance measures are established and regularly monitored, and combined with customer satisfaction measures, provide valuable data for continuous improvement.
- 2.5.3 Joint process improvement teams should be established to investigate problems or pursue improvement opportunities.
- 2.5.4 These teams should be trained in the partnering philosophy, team development, conflict resolution, the Plan-Do-Check-Act improvement cycle, and quality improvement techniques.

## 2.6 Contract Renewal

- 2.6.1 The rules of transparent and fair competition, accountability and probity must also be observed in the renewal of partnering contracts.
- 2.6.2 When a formal partnering contract expires it should be evaluated against the contract objectives and then publicly tendered again to ensure open competition.



- 2.6.3 This tendering process will encourage competitive tenders and allow innovative offers to be received. This will result in the best value for money solution when the contract is re-awarded.

### **3 Principles of Partnering**

- 3.1 Partnering relationships should be established according to the following principles and everybody involved in the partnering arrangement needs to understand and accept these principles:

#### **Commitment**

Partnering requires considerable effort, innovation and patience. Open book accounting would be fundamental to this commitment.

#### **Common Objectives**

Partners must identify, understand and support each other's objectives. Partners work together to translate their individual objectives into common objectives, and strive to achieve the same goals.

#### **Open and Honest Communication and Trust**

Partnering establishes principles and systems for the timely and accurate exchange of information to develop trust and efficient management. Business relationships could suffer through the guarding of information and poor responsiveness.

#### **Ethical Behaviour**

High ethical standards are fundamental to partnering and the conduct of all parties must be totally transparent and ultimately accountable.

#### **Teamwork**

A team approach (and there is no reason why end users cannot be represented on the team) is essential in partnering and lays the foundations for continuous improvement. Teamwork builds trust and keeps the relationship successful. It is also a good means of resolving problems.

- 3.2 Partnering is about value for money, exploring new ideas and sharing risk and reward.

### **4 Partnering Tips**

- 4.1 The introduction of partnering into a public authority should be carefully planned, with the following issues considered:

- Partnering works best within an environment that understands quality management, customer focus, process improvement, participative leadership, and team practices.
- Partnering should be endorsed as corporate policy.
- Partnering should be phased in slowly to allow a cultural transition to take place.

4.2 Successful partnering arrangements have considered the following:

**Education**

Partnering requires a new way of thinking within a public authority. As suppliers and contractors should be seen as an extension of the public authority and treated as members of the team, informing and educating those involved is critical.

**Personalities**

The key personnel involved in partnering are critical to the success of the relationship. These relationships need to be developed; changes to these personnel can impact on the effectiveness of the arrangement and need to be managed.

**Resolution Procedures**

It is essential that partnering arrangements include effective and clearly defined conflict resolution procedures that work.

**Win-Win Outcomes**

Effective partnering is built on a continuing recognition that the arrangement results in win-win outcomes for all parties.

**Customers**

Do not lose sight of the fact that we provide services for our customers. A suitable mechanism needs to be put into place:

- to evaluate services from their perspective
- to take account of their views
- to involve them as appropriate in service development proposals
- to show them that we care.

## Appendix A

### TEN BASIC QUESTIONS ABOUT PARTNERING ANSWERED

#### 1 What is a partnering arrangement?

The legal definition of a partnership is that of two or more parties coming together, usually (but not always) to exploit a commercial opportunity. Partnerships can be project based, time based or open-ended. One of the important elements to a partnership is that the partners share both the benefits and the risks in equal measure.

#### 2 Why partner?

The Government is keen for local authorities to explore new ways of working, and part of that agenda is to try to get away from the adversarial nature of some contracts, particularly those created during the CCT era. There is no doubt that some of the Council's contracts have been, and possibly still are, adversarial in nature. Partnerships in the private sector are seen as good examples of a way of working to which local government should aspire. However there are benefits to the private sector in working in partnership that do not necessarily translate through into the public sector. In the private sector, partnerships are used to aid supply chain management, in other words each partner adds value, shares the risks (and reduces costs) throughout the supply chain. Local authorities are by and large consumers of goods and services rather than part of the supply process.

Partnerships can produce economies of scale, encourage greater capital investment, capture specialist skills and knowledge and produce better operational management.

#### 3 Are they likely to affect me?

Under the Best Value regime you should always be trying to think of other means of provision that improve on existing arrangements, and potential partnerships should be considered. Partnerships in the true sense of the definition are unlikely to be significant in number, however the potential for altering the way we work and our attitude to contractors as outlined in this paper are likely to have a far more significant impact.

#### 4 Don't the current rules prevent partnership arrangements?

Certainly the Council's Contract Procedure Rules and Financial Regulations will need to be looked at in the light of Best Value and developments in partnership arrangements. However it is quite possible to enter into partnership arrangements by utilising the current Contract Procedural Rules.

**5 This document talks about partnerships and continuing competition. Aren't the two opposites?**

No. Whilst partnership contracts will probably be for longer periods than more conventional contracts, they will not be infinite. Renewed competition from time to time has the benefit of testing value for money, as well as preventing complacency and too cosy a relationship developing.

**6 How do I get started?**

You should above all have a vision for the service concerned, and this could be informed by the outcome of the fundamental performance review. A market analysis is the usual starting point (indeed the market players will almost certainly want to know whether there is to be an in-house competitor). A combination of any or all of the following would be classed as a market analysis:

- an advertisement in appropriate trade journals could invite proposals (this may also have the effect of stimulating a market where currently it is weak);
- questionnaires could be sent to selected suppliers to ask how they could add value through partnership arrangements;
- other local authorities (UK and world-wide) could be asked for their approach;
- compile a 'scrapbook' of successful partnership arrangements/ suppliers.

Even handiness is important, and you should be careful that any subsequent specification does not reflect one supplier's product.

At this stage no decision has been made to procure therefore the public procurement rules do not yet apply. But once you have made that decision you must follow the rules as set out in the Contract Procedural Rules and the EU's public procurement rules.

**7 Is there anything wrong with talking to the private sector?**

Best Value fundamental performance reviews will in any event require you to talk to and learn from the private sector. These discussions may help form a view that a partnership may be beneficial to the delivery of a particular service. You should however be even handed in your approach and document all discussions.

The private sector is aware of the Government's initiatives on partnerships and you may well have already received approaches. There is some truth in the suggestion that some private sector companies see partnerships as a means of obtaining work without the rigours of competition. That is not the case.

**8 Is there such a thing as a free lunch?**

No. It is extremely unlikely that you will be approached through purely altruistic motives and you should bear that in mind at all times. Whilst these need not be rejected out of hand, you should ask yourself whether to proceed would affect your long term strategy or lock you into some arrangement from which you could not extricate yourself, or at a cost. For example the offer of free software may limit or close off future choices. The receipt of anything free may induce a false feeling of loyalty and influence future decisions or strategies.

The personal receipt of any such offers is of course covered by the Codes of Conduct and Financial Regs.

If the private sector approaches you, you must carefully weigh the proposal against your overall strategy. If further consideration of the proposal would benefit that strategy, then do so. You should always warn any person making an approach that if the Council was to proceed then it would more than likely result in a procurement exercise. Thus they should not reveal anything which later may be interpreted as a breach of confidence (or indeed copyright).

Even handedness is important and it is always wise to document what has happened. If you are concerned that your position is becoming compromised you should discuss the issue with your line manager.

**9 How will partnering differ from traditional contracts?**

The whole thrust of this paper is that partnering requires a change of culture away from more traditional (or attritional) attitudes. In addition partnerships may well embrace issues like Open Book Accounting, Continuous Improvement, Price Benchmarking and Annual Performance Reviews (service and product reviews; customer satisfaction; etc.).

**10 What if I choose the wrong partner?**

A rigorous procurement process should enable you, with clear evaluation criteria to select a suitable partner. There may be occasions when the partnership does not work out or the costs far outweigh the benefits. Whilst mechanisms can be built into contracts, that will not always be possible especially where contractors will need significant periods to recover outlay.

## Appendix B

### PARTNERING CHARTER

Most partnering relationships are outlined in a non-binding partnering charter document. The purpose of the charter is to detail the mission and objectives of the arrangement and to demonstrate the commitment of the key people involved. The following is a typical example of a partnering charter.

#### PARTNERING CHARTER

##### Our Mission

To complete the project on time, within budget, to specified standards and to the satisfaction of all key stakeholders

##### Common Objectives

- Complete on time
- Complete on or below budget
- Fair return to the Contractors
- No adverse effects on the environment or to public amenities
- Enhance reputations
- Customer satisfaction
- Work together in the future
- No disputes
- Safe construction
- Good Working Relationships
- Minimal disruption

##### Supported By


Note: ***The 'Partnering Charter' will be different for every partnership arrangement. The above Charter, taken from a construction project partnership, is one example only.***

## **SECTION 7**

### **Contract Procedure Rules**

#### **1. Compliance with Contract Procedure Rules**

- 1.1. In these contract procedure rules, the expressions, 'the Council' and 'Responsible Spending Officer'<sup>1</sup> shall be deemed to include reference to Members, Directors, Service Heads or otherwise authorised officer, acting in accordance with delegated authority on behalf of the Council.
- 1.2. Every contract entered into by the Council, or on behalf of the Council, shall be entered into pursuant to or in connection with the Council's functions and shall comply with:
  - (a) all relevant statutory provisions<sup>2</sup>;
  - (b) the relevant European procurement rules (the Regulations)<sup>3</sup>;
  - (c) the Council's Constitution including these contract procedure rules, financial regulations and scheme of delegation; and
  - (d) the Council's strategic objectives, procurement strategy and policies.
- 1.3. The highest standards of probity are required of all officers and Members involved in the procurement, award and management of Council contracts. As a general rule Members and officers should refuse offers of gifts or hospitality from any person, firm or organisation having or seeking to establish dealings with the Council.<sup>4</sup>
- 1.4. Failure to comply with these procedure rules and the associated financial regulations may result in disciplinary action against the Council officer or Member concerned.

#### **2. Procurement Outside the Scope of these Contract Procedure Rules**

- 2.1. There shall be no requirement under the provisions of these procedure rules for competitive tenders to be invited if in the opinion of the Corporate Director any of the following apply:
  - (a) the purchase of proprietary or patented goods or materials or services are obtainable only from one firm, are sold only at a fixed price and no reasonably satisfactory alternative is available;
  - (b) the works, supplies or services to be executed are of a specialised nature carried out by only one firm and for which no reasonably satisfactory alternative is available;
  - (c) the purchase of goods or materials, or the execution of works or supply of services for which there would be no genuine competition;

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<sup>1</sup> The Responsible Spending Officer is a Council officer with appropriate delegated authority to act on the Council's behalf in making spending decisions and managing procurement - § 4 of these Contract Procedure Rules refers.

<sup>2</sup> Any actions taken by the Council must be within its relevant powers as any acts outside of statutory powers may be considered ultra vires. The certification requirements of the Local Government (Contracts) Act 1997 may apply for longer-term contracts of 5 years or over and the Council may be required to provide a certificate to a supplier pursuant to this Act

<sup>3</sup> Guidance on the general principles of EU law and compliance with EU directives is provided in the document Public Contracts Regulations – Implementing the European Public Procurement Directives. Copy available from Internal Audit or on the Intranet (*Services/Financial Services/Financial Services Documents*)

<sup>4</sup> Reference should be made to the Members or Employees Code of Conduct in this respect.

- (d) the works or services to be executed or the goods or materials to be supplied consist of repairs to, or the supply of, parts of existing proprietary machinery or plant;
- 2.2. The Responsible Spending Officer must formally consult the Head of Legal Services and the Procurement Officer where the purchase is to be made using standing arrangements with another local authority, Government department, statutory undertaker or public service purchasing consortium.
- 2.3. The following types of contract are also exempt from the requirements of these contract procedure rules:
  - (a) individual agency contracts for the provision of temporary staff<sup>5</sup>;
  - (b) employment contracts<sup>6</sup>; and
  - (c) contracts relating solely to disposal or acquisition of an interest in land<sup>7</sup>.

### **3. Exceptions to Contract Procedure Rules**

- 3.1. Corporate Directors have the power to waive these contract procedure rules in specific instances. Exceptions and the reasons for them must be recorded<sup>8</sup> and passed to the Procurement Officer who shall maintain a register of all such exemptions.
- 3.2. Every exception made on behalf of the Council shall be identified in Corporate Financial Monitoring Reports specifying the reason(s) that justified the exception being made, including any as a result of an unforeseeable emergency involving immediate risk to persons, property or serious disruption to Council services.
- 3.3. The following matters may be considered by Corporate Directors as an exception to these Contract Procedure Rules, any other issues must be referred to the Procurement Officer in the first instance:
  - (a) the works or services to be executed or the goods or materials to be supplied constitute an extension of an existing contract;
  - (b) the contract is for the execution of works or services or the supply of goods or materials authorised as being required urgently<sup>9</sup>;
  - (c) tenders or quotations have been invited on behalf of any consortium, collaboration or similar body, of which the Council is a member, in accordance with any method adopted by such a body. Provided that where tenders or quotations are so invited by an officer of the Council, the delivery opening and acceptance of tenders shall comply with the provisions of these procedure rules, or any overriding national or European Union legislation.

<sup>5</sup> Where employment agencies are used to provide temporary staff, arrangements will be subject to procurement, but agency staff will be employed on the agency's terms and conditions.

<sup>6</sup> Employment contracts between the Council and its employees are not subject to these contract procedure rules but Part 4, Section 8 'Officer Employment Procedure Rules' of the Constitution applies.

<sup>7</sup> Contracts relating solely to an interest in land will not be subject to the tendering procedure requirements of these contract procedure rules but other Financial Regulations (yet to be developed) will apply.

Straightforward acquisitions or disposals of land are exempt from EC public procurement directives, although legal advice should be sought on the applicability of the Regulations in certain circumstances; for example where the Council is developing land and its level of involvement extends beyond the disposal of land.

<sup>8</sup> A form is currently being designed for this purpose – Contact the Procurement officer for more information.

<sup>9</sup> A record must be made of the reason(s) justifying the urgent procurement of the required works, goods or services.



#### 4. Procurement Plan<sup>10</sup>

- 4.1. For each financial year, the Council shall agree a Procurement Plan setting out details of its current contracts and contracts to be procured for the forthcoming three financial years so that appropriate resources can be identified.
- 4.2. At the commencement of each financial year, the Procurement Officer shall on behalf of the Council, publish a Prior Information Notice (PIN)<sup>11</sup> in the Official Journal of the European Union (OJEU) listing the supplies and services contracts that the Council expects to be procure in that financial year. In relation to contracts for works, the Council shall publish a PIN in the OJEU when works are approved.

#### 5. Delegated Authority

- 5.1. Any procurement<sup>12</sup> carried out on behalf of the Council may only be undertaken by officers with the appropriate delegated authority as set out in the Constitution. Officers with delegated authority, referred to as Responsible Spending Officers (RSO's), are solely responsible for managing and making spending decisions on the procurement. The RSO must be clearly identified in the Scheme Authorisation Checklist<sup>13</sup>.
- 5.2. RSO's may only delegate to other officers who have the skills and knowledge appropriate to the task and these officers must be informed by the RSO of the extent of any delegated authority and any applicable financial thresholds relevant to the procurement.
- 5.3. Within approved budgets, and in accordance with the Procurement Plan where applicable, delegated officers may authorise members of their staff to place orders against Framework Agreements (Para 5.3 & 5.4 refers) which have been entered into by the Authority.
- 5.4. Contract awards over £50,000 constitute Key Decisions<sup>14</sup> and as such shall be included in the Forward Plan<sup>15</sup>. If the award has not been included in the Forward Plan, a Key Decision Notice, approved by the relevant Corporate Director, must be published giving a minimum of five working days notice of when the decision will be taken.<sup>16</sup>

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<sup>10</sup> A schedule identifying high value procurements so that appropriate resources can be identified. It also provides a basis for PIN's and other information provided to suppliers to give advance notice of bidding opportunities. The Corporate procurement plan shall set out details of all works, supplies and services that the Council expects to tender for over the next three financial years. The plan shall be regularly updated and held on the Council's website.

<sup>11</sup> Publication of a PIN in OJEU enables the tender period for the open and restricted tendering procedures in relation to services and works contracts to be shortened. It is not permitted to reduce the tendering period for supply tenders even if a notice has been published.

<sup>12</sup> Procurement means the process of acquiring goods, works and services from suppliers, for example through purchase orders, tendering procedure or via a framework agreement.

<sup>13</sup> The Scheme Authorisation Checklist provides practical guidance, in the form of a checklist, on the framework for managing capital schemes. It can be found within the Financial Services section of the Intranet

<sup>14</sup> A Key Decision is any decision in relation to an executive function that is likely to result in revenue or capital expenditure or savings exceeding £50,000.

<sup>15</sup> The Forward Plan is produced monthly by the leader covering a period of four months and setting out matters which the Leader believes will be subject of a Key Decision (See 'Access to Information Procedure Rules' within the Constitution)

<sup>16</sup> For further information on the Key Decision process see Section 18 on 'Awarding Contracts'.

- 5.5. The decision to award the contract is delegated to the Chief Executive except where the amount of the tender proposed for acceptance exceeds the estimated budget provision. In these circumstances, Cabinet will make the decision.
- 5.6. Contract awards involving any potential transfer of Council employees to a Supplier shall be referred to Cabinet for decision.

## **6. Pre-Procurement Procedure**

- 6.1. Before commencing procurement the RSO leading the procurement will identify the need and fully assess any options for meeting those needs.<sup>17</sup>
- 6.2. Before undertaking procurement the RSO shall:
  - (a) consider all other means of satisfying the need (including recycling and reuse where appropriate);
  - (b) establish a business case for the procurement; and
  - (c) consider the most appropriate procurement method, for example, framework agreement, joint procurement (or collaboration), partnering arrangements, e-Procurement solutions (i.e. BACS payments and the use of procurement cards) etc.

### **Framework Agreements**

- 6.3. Framework agreements are flexible arrangements that enable the Council to procure goods, works or services for low risk, low value requirements. Initially, tendered in accordance with these contract procedure rules, framework agreements allow the Council to make specific purchases (call-offs) throughout the term of the agreement, without the need to conduct further tendering exercises.
- 6.4. Where the Council has entered into a Framework Agreement through procurement or is able to call off from existing Framework Agreements procured by central government agencies<sup>18</sup>, then the Council may benefit from using those contracts without entering into a separate procurement.

### **Joint Procurement**

- 6.5. The Council may enter into joint procurement arrangements with other local authorities and local partners (e.g. in purchasing consortia or joint procurement projects) in order to save on procurement resources (i.e. time and cost of involved in tendering individual contracts) and increase purchasing power.
- 6.6. Cabinet shall approve any joint procurement arrangements with other local Authorities or public bodies, including membership or use of Purchasing Consortia, prior to the commencement of any procurement on behalf of the Council.

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<sup>17</sup> Consideration should be given to Council's Procurement Strategy and the Scheme Authorisation Checklist and advice sought from Legal Services and Financial Services (Procurement Officer or Internal Audit) as appropriate

<sup>18</sup> The Council may benefit from framework arrangements procured on a regional or national basis including the GCAT, SCAT and LCAT arrangements

## **Partnering<sup>19</sup>**

- 6.7. Partnering arrangements are a contracting activity promoted under the Governments 'Rethinking Construction' Agenda (the Egan Report)<sup>20</sup> in which the Council and the preferred supplier work in an open and joint relationship to achieve common objectives, with defined performance targets.
- 6.8. Partnering might be considered for high risk, high value or complex procurements with the principal benefit that relationships with the supplier are strengthened and risks and benefits are shared in a previously agreed and quantifiable manner.

## **e-Procurement**

- 6.9. e-Procurement advancements are integral to the Council's approach to Implementing Electronic Government. A number of e-procurement solutions are available including the use of procurement cards, receiving tenders and quotations electronically, ordering goods and services securely over the internet from electronic catalogues and the conduct of electronic auctions.
- 6.10. Research on the use of these e-procurement solutions is ongoing and the Council is currently conducting pilot schemes on the use of procurement cards and e-tendering with a view to these being used to improve information on which to base decisions, increase efficiency and reduce paperwork.

## **7. Estimating the Contract Value**

- 7.1. For consistency, contract values shall be calculated in accordance with the Regulations<sup>21</sup> even when the Regulations are not applicable.
- 7.2. The Council shall make the best use of its purchasing power by aggregating purchases wherever possible. Supplies, services or works shall not be split in an attempt to avoid the applicability of these contract procedure rules or the Regulations<sup>22</sup>.

## **8. Competition Requirements for procurement and disposal**

### **Low Value Procurement**

- 8.1. Officers with appropriate delegated authority shall, on behalf of the Council, procure works, goods and services with an estimated value of below £10,000. Service Heads are responsible for ensuring that value for money is achieved.
- 8.2. The official order for the procurement shall specify the services, supplies or works to be provided and set out the price and terms of payments. Any appropriate Framework Agreements in place shall be used regardless of value, provided that the requirements in relation to delegated authority are met.

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<sup>19</sup> For more detailed guidance please refer to the *Procurement through Partnering Guidelines*

<sup>20</sup> Report commissioned by Central Government in 1998 aimed at achieving radical improvements in the construction industry

<sup>21</sup> The Regulations set out how contract values are estimated including calculations for aggregated contracts.

<sup>22</sup> The Regulations contain specific rules about estimating the value of mixed contracts e.g. services and supplies or Part A and Part B Services.

### **Intermediate Value Procurement**

- 8.3. For procurements valued above £10,000 but at or below £50,000 at least three written competitive quotations shall be invited before an official order is issued specifying the supplies, services or works to be provided. If it is not possible to obtain three quotations a record shall be kept of the reason(s) for this.
- 8.4. Quotations will only be considered if submitted in a plain sealed package addressed to the RSO concerned, bearing the word "Quotation" and the title of the works, goods or services to be supplied. The envelopes shall not bear the senders name or any other identifying marks, and only quotations that comply with this procedure rule shall be considered.
- 8.5. All quotations received shall be opened at the same time in the presence of at least two officers designated by the RSO with at least one of these officers being independent of the quotation procurement process.
- 8.6. The RSO concerned shall maintain suitable records indicating the quotations received, the action taken relating to the invitation of suppliers and the receiving and evaluation of quotations and the award to the successful supplier. Officers present at the opening of the quotations shall sign the record of quotations received.
- 8.7. Where the risk in a specific procurement is perceived to be high and/or may involve a transfer of staff, the procurement shall be treated as a High Value Procurement.

### **High Value Procurements**

- 8.8. For procurements valued at above £50,000 (subject to exemptions under § 2 of these procedure rules, and to any overriding requirements of the Regulations) a competitive tendering procedure appropriate to the particular procurement (i.e. open, restricted or negotiated – see § 8 below) shall be conducted in accordance with these contract procedure rules.
- 8.9. For all high value procurements, the RSO responsible shall in a manner commensurate with the complexity and value of the procurement<sup>23</sup>:
  - (a) arrange for a full appraisal of the project and the estimated cost implications to be carried out;
  - (b) determine the most advantageous method of procurement and establish a framework for carrying out the project;
  - (c) take into account the requirements from any Best Value<sup>24</sup> review;
  - (d) consult with the Procurement Officer to ensure that a procurement arrangement is not already in place;
  - (e) define the objectives of the procurement and indicate how this links to the strategic objectives of the Council and/or Service concerned;
  - (f) assess the risks associated with the procurement and how to manage them;

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<sup>23</sup> Reference to the Scheme Authorisation Checklist (held within the Finance Documents on the Intranet) will provide a useful aide-memoir for the approval and management of capital schemes

<sup>24</sup> The duty on Council's to secure continuous improvement in the way, in which functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

- (g) consult users as appropriate about the proposed procurement method, contract standards and also performance and user satisfaction monitoring; and
  - (h) record the delegated officer responsible for the procurement (RSO), the project timetable and expected length of the contract and the tendering procedure to be used.
- 8.10. The RSO shall also confirm that:
- (a) there is Member or delegated approval for the expenditure;
  - (b) there is Cabinet approval for significant new proposals in accordance with Financial Regulations; and
  - (c) prior information notices, if required in accordance with EC Regulations, have been sent.

### **Procurements Subject to the Regulations**

- 8.11. Where the estimated value of procurement exceeds the current EU threshold then the contract shall be tendered in accordance with the Regulations<sup>25</sup>.
- 8.12. Under the Regulations, the contract may be tendered under the open, restricted or, in exceptional circumstances as set out in the Regulations, the negotiated procedure. A contract notice in the prescribed form shall be published in the Official Journal of the European Union (OJEU) in order to invite tenders for or expressions of interest for Part A services contracts and supplies and works contracts subject to the rules<sup>26</sup>. Contracts for Part B Services do not need to be advertised in OJEU<sup>27</sup>. The rules relating to technical specifications and the publication of contract award notices shall, however, be observed for all contracts as shall the EC Treaty<sup>28</sup> and the general principles of EC law including non-discrimination, equal treatment, proportionality and transparency.
- 8.13. The Council shall comply with the minimum timescales for receipt of expressions of interest and the receipt of tenders as set out in the Regulations<sup>29</sup>. Where the Council has published a Prior Information Notice (PIN) announcing its forthcoming contracts for the year ahead, reduced timescales may be used, if appropriate<sup>30</sup>.
- 8.14. Where the Regulations apply, the RSO shall consult the guidance 'The Public Contracts Regulations – Implementing the EU's Public Procurement Directives'<sup>31</sup> and formally consult with the Procurement Officer to determine the method of conducting the procurement.
- 8.15. Best Value and partnering arrangements are subject to all UK and EC procurement legislation and must follow these contract procedure rules. If in doubt about the application of the EC Regulations, the RSO must seek the formal advice of the Procurement Officer in writing.

<sup>25</sup> For the current EU thresholds (valid to 31 Dec 2005) see Appendix A.

<sup>26</sup> Part A – Priority Services Contracts are subject to the full scope of the Regulations and shall be advertised in OJEU.

<sup>27</sup> Part B Services are not subject to the full Regulations. Please refer to the guide 'The Public Contracts Regulations – Implementing the EU's Public Procurement Directives' or contact the Procurement Officer.

<sup>28</sup> Treaty which established the European Community

<sup>29</sup> See Appendix A for the EU timescales from despatch to publication in OJEU.

<sup>30</sup> A Prior Information Notice (PIN) shall be published in OJEU at the start of each financial year setting out the forthcoming contracts for the year ahead.

<sup>31</sup> See Financial Services Documents on the Intranet.

## **Disposal of Assets**

- 8.16. Assets for disposal must be sent to public auction except where better value for money is likely to be obtained by inviting quotations and tenders. The method of disposal of surplus or obsolete stocks/stores or assets other than land, and Information Technology equipment, must be formally agreed with the Head of Financial Services.
- 8.17. IT equipment identified as obsolete or surplus to requirements must be disposed of in accordance with the Council's Information Security Policy.<sup>32</sup>

## **9. Tendering Procedures**

### **Open Procedure**

- 9.1. Where publication in OJEU is **not** required, at least ten days public notice shall be given in one or more of the local newspapers, on the Council's website and in any appropriate national press and/or trade journals in order to target the appropriate market for the particular contract. The advertisement shall contain details of the nature and purpose of the procurement and specify a date within which interested parties may express an interest in tendering for the contract.
- 9.2. After expiry of the specified date for the receipt of expressions of interest, the Council shall send **all** suppliers expressing an interest an Invitation to Tender (ITT), specifying a date and time for the receipt of tenders.
- 9.3. Where advertisement of the procurement is required in OJEU, the Council shall not publish an advertisement in the UK before publication of the OJEU Notice. Local advertisements shall not contain any further details than those included in the OJEU Notice.

### **Restricted Procedure**

- 9.4. Suppliers selected by the Council for the supply of goods, works or services are invited to tender. Such suppliers will have been previously assessed as to their:
- (a) eligibility;
  - (b) economic and financial standing; and
  - (c) technical capacity<sup>33</sup>.
- 9.5. In respect of procurements expected to exceed £50,000 this will be achieved by selecting firms from:
- (a) pre-qualified suppliers on Constructionline<sup>34</sup>;
  - (b) an approved list of suppliers maintained by the Council and compiled following responses to a public notice in the manner described in the open procedure except that notice shall state that the restricted procedure is being used; or
  - (c) a shortlist of suppliers assessed from expressions of interest for a specific contract submitted in response to a public advertisement in the manner described in (b) above.

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<sup>32</sup> The Council's Information Security Policy can be located within the Information Services section of the Intranet.

<sup>33</sup> Technical capacity may include the Supplier's quality management systems including human resources, health and safety and environmental management systems where relevant to the performance of the contract

<sup>34</sup> Constructionline is the National Database of 'qualified' firms assessed for their technical and financial capacity. Contact the Procurement Officer for more information.



- 9.6. If the Regulations **do not** apply a minimum of three suppliers will be invited to tender, selected from the Approved List or Constructionline<sup>35</sup>. Procurements subject to the Regulations shall comply with the appropriate Regulation and in these cases a minimum of five suppliers shall be invited to tender from those expressing an interest following the publication of the OJEU Notice.
- 9.7. Any procurement subject to the Regulations shall comply with the appropriate Regulation<sup>36</sup>.

#### **Negotiated Procedure**

- 9.8. The Council negotiates with a number of bidders to secure a contract that achieves the most economically advantageous offer for the Council, the suppliers being selected on the basis of published pre-qualification criteria.
- 9.9. If the publication of a notice in the OJEU is not required, the advertising requirements are the same as in the restricted procedure, except where the procurement falls within one of the exemption provisions of the Regulations<sup>37</sup>. Any notice shall state that a negotiated procedure is being used.
- 9.10. A minimum of three suppliers should be invited to negotiate following publication of a notice.
- 9.11. At least two officers, one of whom shall be the Corporate Director/Service Head responsible for the procurement or their delegate shall be present at all times during the negotiations. Negotiations carried out with potential suppliers shall be fair and transparent and all treated equally. Proper records of the negotiations shall be maintained and signed as such by all participants and the outcome of the negotiated procedure approved by Cabinet.

#### **Serial Tenders**

- 9.12. The Council may enter into a serial contract where the works, goods or services form part of a programme of work where the scope may change over time and/or the budgetary provision has not been allocated for the whole period of the contract.
- 9.13. The terms will be negotiated with the supplier on the basis of the rates and prices contained in an initial procurement awarded competitively following an invitation to tender in accordance with open or restricted tendering procedures.
- 9.14. The serial contract shall be tendered in accordance with EC Regulations where, over the total period of the serial contract, the estimated value of the procurement exceeds the relevant EU threshold.
- 9.15. The Council's intention to enter into a serial contract must be clearly stated at the Expression of Interest and the Invitation to Tender stage of the tendering process.

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<sup>35</sup> Firms selected for ITT shall be on the basis of random selection to test the market and previous tendering history. For more information please refer to the Guide to Quotations and Tenders for Council Work, Services and Supplies.

<sup>36</sup> The Regulations detail the qualification criteria and the extent to which the Council may seek supporting evidence from suppliers.

<sup>37</sup> Please refer to the guide 'The Public Contracts Regulations – Implementing the EU's Public Procurement Directives'.

- 9.16. The award of the serial contract shall be in accordance with these Contract Procedure Rules (See § 17 below) and the decision to allow the contractor to proceed onto the next phase of a serial contract will be subject to the following conditions being met:
- (a) completion of a Post Contract Performance Appraisal Form<sup>38</sup> in relation to the previous phase of the serial contract;
  - (b) budgetary provision in relation to the next phase of the serial contract is in place;
  - (c) the rates and prices for the next phase of the contract have been negotiated on the basis of the original rates when the contract was awarded; and
  - (d) the RSO and Procurement Officer have agreed to the continuation of the contract to the next phase.
- 9.17. The Procurement Officer shall maintain a record of the serial contract through completion of the 'Record of Decision Taken to Release Phase of Serial Contract'<sup>39</sup>. This document must be completed in full before permission can be given to the supplier to proceed to the next phase of the contract.

### **Single Tenders**

- 9.18. The Council may invite a tender from a single supplier selected by the Council, or through negotiation with a supplier already engaged by the Council, where this is considered to be in its best interests and where and of the following applies:
- (a) tendering procedures as set out above have resulted in no acceptable tenders being received;
  - (b) the work is so specialised that the chosen firm is the only one able to satisfy the criteria for selection; or
  - (c) the nature of the procurement is such that a precise specification cannot be drawn up.

## **10. Pre-Tender Market Research and Consultation**

- 10.1. Prior to the issue of the ITT in relation to the procurement the RSO may consult potential suppliers in general terms about the nature, level and standard of the supply, contract packaging and other relevant matters provided this does not prejudice any potential supplier.
- 10.2. The RSO must not seek or accept technical advice on the preparation of the ITT from any supplier who may have a commercial interest in the procurement, if this may prejudice the equal treatment of all potential suppliers or distort competition.<sup>40</sup>

## **11. Standards and Award Criteria<sup>41</sup>**

- 11.1. The RSO must ascertain what are the relevant British (or equivalent), European or international standards that apply to the procurement and must include those standards that describe the required quality.

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<sup>38</sup> This form is an Appendix to the 'Guide to Contract Completion and Review' available within the Financial Services section of the Intranet.

<sup>39</sup> Form available from the Procurement Officer

<sup>40</sup> For further advice contact the Procurement Officer.

<sup>41</sup> This is the criteria by which the successful tender (or quotation) is to be selected



- 11.2. The RSO must define and document the Award Criteria appropriate to the procurement, before tenders are sought and the criteria must be designed to secure an outcome that provides the best value for money for the Council. The basic criteria shall be:
- (a) lowest price where payment is to be made by the Council;
  - (b) highest price if payment is to be received; or
  - (c) most economically advantageous offer (where considerations other than purchase price also apply).

11.3. Where the most economically advantageous offer is adopted it must be further defined by reference to criteria relevant to the procurement. This may include price, service, quality, running costs, whole life cycle costs, previous experience, delivery date, cost effectiveness, environmental considerations, aesthetic and functional characteristics, safety, after-sales service, technical assistance, partnering and any other relevant matters.

## **12. The Invitation to Tender (ITT)**

- 12.1. The Invitation to Tender (ITT) shall state that no tender will be considered unless it is received by the date and time stipulated in the ITT. The Head of Administration Services will promptly return tenders received in contravention of this clause to the supplier submitting the tender.
- 12.2. All suppliers invited to tender shall be notified that no tender will be considered unless contained in a plain sealed envelope addressed to the Chief Executive bearing the word 'Tender' followed by a description of the procurement to which the tender relates<sup>42</sup>. These envelopes must not bear any distinguishing mark intended to indicate the identity of the sender.
- 12.3. The ITT (or Invitation to Quote where this applies) must state that the Council is not bound to accept any submitted tender (or quotation).
- 12.4. The ITT shall include details of the Council's requirements for the particular procurement including:
- (a) a description of the services, supplies or works being procured;
  - (b) the procurement timetable including the tender return date and time, which shall allow a reasonable period for the applicants to prepare their tenders;
  - (c) a specification and instructions on whether any variants (or alternatives<sup>43</sup>) are permissible;
  - (d) the Council's terms and conditions of contract<sup>44</sup>;
  - (e) the tender evaluation criteria including any weightings, as considered appropriate, where considerations other than price apply<sup>45</sup>;

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<sup>42</sup> Use should be made of orange labels available from Administration Services to reduce the risk of tenders being opened in error and to ensure that tenders are taken to Administration Services for safekeeping.

<sup>43</sup> In these circumstances, it is good practice to request suppliers to also submit a tender which is fully compliant with the Council's specification for evaluation purposes.

<sup>44</sup> Where standard terms and conditions are to be used these should be reviewed for each procurement being tendered. Contact the Procurement Officer for further guidance and advice.

<sup>45</sup> See also § 15 and 17

- (f) the pricing mechanism and instructions for completion including the method by which arithmetical errors discovered in submitted tenders are to be dealt with. In particular, whether the overall price prevails over the rates in the tender or vice versa;
  - (g) form and content of method statements to be provided;
  - (h) whether the Council is of the view that TUPE may apply<sup>46</sup>; and
  - (i) any further information which will inform or assist potential suppliers in preparing tenders.
- 12.5. All potential suppliers invited to tender (or quote) shall be issued with the same information at the same time and subject to the same conditions. Any supplementary information must be provided to all potential suppliers on the same basis.
- 13. Nominated Sub-contractors and Suppliers**
- 13.1. If a sub-contractor or supplier is to be nominated by the Council to the main contractor or supplier, quotations and tenders must be obtained in accordance with these contract procedure rules.<sup>47</sup>
- 14. Submission, Receipt and Opening of Tenders**
- 14.1. Suppliers invited to tender must be given sufficient time in which to prepare and submit a proper bid, consistent with the urgency of the procurement, and will normally be four weeks from the date of the invitation to tender.
- 14.2. All tenders must be returned to the Chief Executive in the manner described at 11.2 above. Tenders received by fax or any other electronic means must be rejected<sup>48</sup>.
- 14.3. Administration Services must be notified, using a standard 'Notification of Tender Submission' form<sup>49</sup>, as soon as practicable of the details of the procurement, the date and time for return and the number of suppliers invited to tender. The names of the suppliers invited to tender must not be disclosed to staff involved in the receipt, custody and opening of tenders.
- 14.4. The Head of Administration Services shall be responsible for the safekeeping of tenders until the specified date and time for opening, and will ensure that each tender received is date stamped, initialled by the officer receiving the tender and logged upon receipt in the Register of Tenders.
- 14.5. The Head of Administration Services will ensure that all tenders are opened at the same time when the period for their submission has ended. The Cabinet Member with special interest in the works or services being tendered, (or any other Cabinet Member if the special interest Member is not available) and an officer designated by the Head of Administration Services shall open the tenders received.

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<sup>46</sup> If it is considered that TUPE may apply the advice of the Head of Legal Services must be sought as to what information to include in the invitation to tender.

<sup>47</sup> Section 7 relating to Intermediate and High Value Procurements refers.

<sup>48</sup> An electronic tendering system is being piloted, with a view to this being available in the future. For more information, please contact the Procurement Officer.

<sup>49</sup> Form available from Administration Services or the Procurement Officer and available on the Procurement page of the Council's Intranet.

- 14.6. Upon opening a summary of the main terms of the submission received shall be recorded in the permanent Register of Tenders.<sup>50</sup>
- 14.7. The Head of Administration shall notify the RSO that tenders have been opened and arrangements shall be made for the opened tenders to be collected for evaluation.

### **15. Clarification Procedures and Post Tender Negotiation**

- 15.1. Providing clarification of an ITT to potential or successful suppliers, or seeking clarification of a submitted tender is permitted provided that a written record of the details of the clarification is made and retained.
- 15.2. Post-tender negotiations may be conducted with any, or all, suppliers after submission of a tender and before the award of the contract with a view to obtaining adjustments in both price and content provided that the RSO has formally consulted the Head of Legal Services<sup>51</sup>.
- 15.3. Negotiations shall be conducted by at least two officers and full details of the negotiations documented and formally agreed by both parties. At all times during the negotiations the Council shall consider and implement the principles of non-discrimination, equal treatment and transparency.
- 15.4. Where post tender negotiations result in a fundamental change to the specification (or terms and conditions of contract) the procurement must not be awarded but re-tendered in accordance with these contract procedure rules.
- 15.5. Where procurement is conducted pursuant to the Regulations through either the open or restricted tendering procedures no post tender negotiations shall be permitted.

### **16. Tender Evaluation**

- 16.1. An evaluation must be made of competitive tenders submitted by those suppliers invited to tender. Tenders subject to the Regulations shall be evaluated in accordance with the relevant Regulation and the Award Criteria set out in the ITT. All other tenders shall be evaluated in accordance with the Award Criteria, which was notified to potential suppliers in the ITT.
- 16.2. All procurements, except where lowest price was predetermined to be the appropriate criteria, shall be awarded on the basis of the offer which represents Best Value for Money to the Council, taking into account the quality aspects as set out in the ITT.
- 16.3. The confidentiality of the submitted bids and the identity of the potential suppliers must be preserved at all times during the period of the evaluation and the RSO shall ensure that a Tender Evaluation Report Checklist<sup>52</sup>, comparing the amount(s) tendered with the pre-tender estimate is compiled.
- 16.4. For procurements subject to the Regulations or with a value above £50,000 the RSO shall form an Evaluation Team of representatives, as considered appropriate, with responsibility for evaluating submitted tenders.

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<sup>50</sup> This will normally be the submitted price but may include other relevant terms where applicable i.e. submissions received in a partnering procurement.

<sup>51</sup> This will normally involve informing the Head of Legal Services that it is proposed to enter into post-tender negotiation and agree the process to be undertaken i.e. whether negotiation is to be with all potential suppliers.

<sup>52</sup> Please refer to Appendix C of the Guide to Quotations and Tenders for Council Works , Services and Supplies.

## **17. Bonds, Guarantees and Insurance**

- 17.1. For high value/high risk procurements, the Evaluation Team shall consider as part of its pre-qualification assessment and evaluation process whether a performance bond and/or parent company guarantee (if applicable) shall be required from the preferred supplier.
- 17.2. The Evaluation Team shall consider the appropriate type (employee liability, public liability, professional indemnity, etc) and level of insurance requirements for each procurement.

## **18. Awarding Contracts**

- 18.1. An RSO with the requisite delegated authority<sup>53</sup> shall award contracts to the value of £50,000 (i.e. low or intermediate value procurements) provided that sufficient funds are in place to sustain the procurement.
- 18.2. For procurements subject to the Regulations or with a value above £50,000 (i.e. high value procurement) a standard Acceptance of Tender Form<sup>54</sup> shall, following evaluation of the submitted tenders, be completed and sent together with the Tender Evaluation Checklist and any other relevant information to the Procurement Officer for comment. The Procurement Officer will contact the RSO in the event of any query.
- 18.3. The Procurement Officer shall ensure that the Regulations and these contract procedure rules have been complied with and forward the completed Acceptance of Tender Form to the Chief Executive who has delegated authority to award contracts with a value in excess of £50,000 on the Council's behalf provided that the amount of the tender proposed for acceptance does exceed the estimated budget provision. In these circumstances, Cabinet will make the decision.
- 18.4. Arrangements at this stage must ensure that a Key Decision Notice is completed in accordance with Para 5.4 of these Contract Procedure Rules.
- 18.5. The Head of Administration Services shall, on the next available publication date<sup>55</sup> following the signing of the Acceptance of Tender Form by the Chief Executive, publish a 'Notice of the Decision' giving a period of 5 working days for call in. Following expiration of the call-in period the Head of Administration Services shall notify the RSO that the contract can be formally awarded to the successful supplier.
- 18.6. Where procurement has been tendered pursuant to the Regulations, the Council shall publish a contract award notice in OJEU no later than 48 days after the date of award of the contract<sup>56</sup>.

## **19. Debriefing**

- 19.1. The RSO responsible for the procurement shall provide a debriefing to suppliers submitting unsuccessful tenders upon written request. For consistency this shall be in accordance with the Regulations even where the regulations do not apply<sup>57</sup>.

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<sup>53</sup> As set out in Section 4 of these Contract Procedure Rules.

<sup>54</sup> A copy of the Acceptance of Tender form can be obtained from Administration Services or the Procurement Officer and on the Procurement section of the Council's Intranet.

<sup>55</sup> Decisions are published at approximately fortnightly intervals on agreed dates available on the Intranet.

<sup>56</sup> Contract award notices are not required for Part B Services except where the Council published a contract notice prior to commencement of the procurement.

<sup>57</sup> The Regulations require that an unsuccessful supplier shall within 15 days of written request be informed of the reasons why they were unsuccessful and, if an admissible tender was submitted, the characteristics and relative advantages of the successful tender as well as the name of the supplier awarded the contract.

## **20. Contract Documents & Terms and Conditions**

- 20.1. Contracts shall be entered into on the Council's terms and conditions, which shall be included with each purchase order and ITT.<sup>58</sup> All contracts shall be held in the custody of the Head of Legal Services or in a manner determined by him/her.
- 20.2. Every contract which exceeds £50,000 in value and contracts of any value involving demolition works shall be in writing in a form approved by the Head of Legal Services, and shall specify:
- (a) the work to be done, or services, goods or materials to be provided including any appropriate technical specification(s); and
  - (b) the price to be paid with a statement of discounts or other deductions, and the time or times within which the contract is to be performed.

### **Letters of Intent**

- 20.3. This provision shall not prevent the Head of Legal Services, in his/her absolute discretion, from issuing, or authorising the issue of, a letter of intent<sup>59</sup> to the contractor, or approving procedures for giving permission for work to commence prior to the completion of the written contract.

### **Assignment**

- 20.4. In every written contract<sup>60</sup> for the execution of work or the supply of goods or materials the following clause shall be inserted:

"The contractor shall be prohibited from transferring or assigning directly or indirectly, to any person or persons whatever, any portion of his contract without the written permission of the Council. Sub-letting of any part(s) of the work, except to the extent permitted in writing by the officer concerned, shall be prohibited."

### **Specifications and Standards**

- 20.5. Where contracts are subject to the Regulations, the rules relating to technical specifications shall be followed and any reference to a technical standard, make or type shall be prefaced with the words "or equivalent". This requirement applies to both Part A and Part B Services.
- 20.6. All written contracts shall require that supplies used in their execution shall as a minimum, be in accordance with European and/or British Standards current at the date of the tender, as applicable.

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<sup>58</sup> Further advice is available from Legal Services and the Procurement Officer

<sup>59</sup> Letters of intent are commonly used for building and engineering contracts where it is essential that works start by a certain date but the contractual arrangements have not been finalised. Letters of intent are rarely required for services and supplies contracts and should only be used in exceptional circumstances. The advice of the Head of Legal Services should be sought as appropriate.

<sup>60</sup> Written contract in these contract procedures rules refers to any contract exceeding £50,000.

### **Insurance and Health and Safety**

- 20.7. Every written contract must state that the supplier will indemnify the Council against all losses and claims for injury or damage to any persons or property, which may arise as a consequence of the procurement. The supplier shall throughout the execution of the contract, maintain suitable insurance for which they are liable and shall produce the relevant insurance policies on demand.
- 20.8. In every written contract a clause shall be inserted requiring the supplier to acquaint themselves with the Council's policy on Health & Safety at Work and the relevant codes published for the Council's operations.

### **Other contractual requirements**

- 20.9. Written contracts shall, as considered appropriate, state other contractual obligations including race equality, equal opportunities and sustainability obligations<sup>61</sup>. Consideration will also need to be given to statutory requirements relating to data protection and the Freedom of Information Act<sup>62</sup>, as well as operational requirements in relation to accessibility of relevant documentation maintained by the Council and the successful supplier<sup>63</sup>.
- 20.10. All tender processes and contract awards shall comply with EU Public Procurement Directives and the principles of non-discrimination, equal treatment and transparency and other duties under UK law. A diverse and competitive supply market, including small firms, social enterprises, ethnic minority businesses and voluntary and community sector suppliers shall be encouraged.

### **Termination of Contract**

- 20.11. In every written contract a clause shall be inserted empowering the Council to terminate the contract and to recover from the supplier the amount of any loss resulting from such termination, if the supplier or any person acting on their behalf (whether with or without the knowledge of the supplier) shall have:
- (a) offered, given or agreed to give any persons any gift, inducement or reward in relation to the awarding or execution of any contract with the Council; or
  - (b) shown favour or disfavour to any person in relation to any contract with the Council; or
  - (c) if, in relation to any contract with the Council, the contractor shall have committed any offence under the Prevention of Corruption Acts 1889 to 1916, or any amendment to them, or shall have given any fee or reward the receipt of which is an offence under sub-section 2 of section 117 of the Local Government Act 1972.
- 20.12. For any contract exceeding £50,000 in value, the Chief Executive shall approve termination of the contract and subsequently report to Cabinet the reason(s) for this action being taken. Contracts of a lesser value may be terminated early by agreement prior to the expiry date or in accordance with the termination provisions set out in the contract. The advice of the Head of Legal Services should be sought as appropriate.

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<sup>61</sup> For further advice contact the Head of Legal Services and the Procurement Officer

<sup>62</sup> For further advice contact the Information Management Officer.

<sup>63</sup> This will be particularly relevant where partnering arrangements have been entered into (i.e. open book accounting arrangements).



## **21. Appointment of Consultants**

- 21.1. The engagement of consultant architects, engineers and surveyors or other professional consultants shall be subject to completion of a formal letter, contract of appointment or brief.
- 21.2. Consultants shall be selected, tendered and commissions awarded in accordance with the procedures detailed in these contract procedure rules.
- 21.3. It shall be a condition of the engagement of the services of any consultant responsible for the supervision of a contract on behalf of the Council that in relation to that contract the consultant shall:
  - (a) comply with these procedure rules subject to the modification that the tendering procedure to be followed shall be approved in advance by the Service Head or Corporate Director concerned;
  - (b) at any time during the carrying out of the contract, produce to the Service Head, Director, Head of Financial Services or other designated officer, on request, all the records maintained by him/her in relation to the contract; and
  - (c) on completion of a contract, forward all such records to the Service Head, Director or other designated officer.
- 21.4. Consultants shall not make any decision on whether to award a contract or whom a contract should be awarded to.
- 21.5. Throughout the commission monitoring arrangements must ensure that the due performance of the consultant is in accordance with the levels and standards of service specified in their conditions of appointment.
- 21.6. Arrangements should ensure copyright and title of any works performed by consultants belongs to the Council.

## **22. Records of Contracts**

- 22.1. Service Heads shall maintain his/her own register of contracts entered into by his/her Service of whatever value, and until such time as an electronic Contracts Register of all contracts exceeding £50,000 has been developed<sup>64</sup>.
- 22.2. For every individual contract a Contracts file shall be maintained.

## **23. Statistical Returns**

- 23.1. Each year the Council shall make a statistical return to Department of Transport, Local Government and the Regions (DTLR) for onward transmission to the European Commission concerning the contracts awarded during the year under the European rules.
- 23.2. The Procurement Officer is responsible for this statistical return and will make the necessary arrangements for information to be collected annually. Service Heads shall comply with these arrangements.

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<sup>64</sup> Internal Audit currently maintains an electronic contract register that will be developed and made available Council wide.

**24. Review and Amendment of Contract Procedure Rules**

- 24.1. These contract procedure rules shall be reviewed and updated on a regular basis, not less than annually. Amended contract procedure rules shall be agreed and adopted by full Council.

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**EU THRESHOLDS 2004 - 2005**

The proposed tender will fall within the Regulations if its estimated value is greater than the prescribed thresholds. These have been summarised in Table 1 below.

**Table 1: Relevant Thresholds for Supply, Works and Services Regulations (net of VAT)**

<b>Regulation Threshold</b>	<b>European Threshold</b>	<b>Equivalent UK*</b>
Supply Contract	236,945 ECU	£153,376 <sup>1</sup>
Prior Information Notice	750,000 ECU	£485,481
Services Contract	236,945 ECU	£153,376 <sup>1</sup>
Prior Information Notice	750,000 ECU	£485,481
Works Contract	5,923,624 ECU	£3,834,411 <sup>2</sup>
Prior Information Notice**		

\* - Applying from 1 January 2004

\*\* - Must be published for each proposed contract

**Note**

<sup>1</sup> With the exception of the following Services which have a threshold of £129,462 Euro 200,000):

Part B (residual services)

Research and Development Services (Category 8)

Some telecommunications services

Subsidised service contracts under Regulation 25 of the Public Services Contracts Regulations 1993.

<sup>2</sup> For subsidised service contracts under Regulation 25 of the Public Services Contracts Regulations 1991, the threshold is £3,236,542 (Euro 5,000,000)

The Regulations provide guidance on how to estimate the value of proposed tenders, and you should refer directly to the appropriate Regulations when calculating the total value of a proposed contract.

If, after calculation, the value of the contract exceeds the appropriate threshold, it will fall within the scope of the Regulations. The method of calculation used depends upon the type of purchase to be undertaken.

### EU TIMESCALES FROM DESPATCH TO OJEU

**Table 2: Summary of time periods prescribed for the Open, Restricted and Negotiated Procedures.**

Procedure	Expressions of Interest (No of Days)	Receipt of Tender (No of Days)
<b>SUPPLY CONTRACTS</b>		
Open	-	52
Restricted	37	40
Accelerated Restricted	15	10
Negotiated - with advert	37	-
Accelerated Negotiated	15	-
Negotiated - without advert	-	-
<b>SERVICES CONTRACTS</b>		
Open	-	52
(with PIN)	-	36
Restricted	37	40
(with PIN)	37	26
Accelerated Restricted	15	10
Negotiated- with advert	37	-
Accelerated Negotiated	15	-
Negotiated - without advert	-	-
<b>WORKS CONTRACTS</b>		
Open	-	52
(with PIN)	-	36
Restricted	37	40
(with PIN)	37	26
Accelerated Restricted	15	10
Negotiated- with advert	37	-
Accelerated Negotiated	15	-
Negotiated - without advert	-	-

**Notes:**

- The count starts on the day after the notice is despatched to the OJ. If the last day is a Saturday, Sunday or public holiday then the receipt or closing date will be the first ordinary working day.
- PIN - Prior Information Notice

**Extreme Urgency**

In cases of extreme urgency it is possible to use accelerated restricted or negotiated procedures. The use of the shortened time periods is strictly defined and their use must be justified. The cause of the 'cases of extreme urgency' must be outside the Council's control and should be unforeseeable. It should be noted, for example, that having to spend funds before a specific date would not be considered an appropriate reason.

**Meeting of:** AUDIT COMMITTEE

**Date:** 26 JANUARY 2005

**Report of:** CHARTER FOR INTERNAL AUDIT

**Reference:** aud/audcomm/260105/Internal Audit Charter

**Title:** CHARTER FOR INTERNAL AUDIT

#### **PUBLIC/EXEMPT ITEM**

This item is for consideration in the public part of the meeting.

#### **PURPOSE OF THE REPORT**

To seek the Committee's approval for a revised Charter for Internal Audit.

#### **RECOMMENDATIONS**

- 1. That the proposed Charter for Internal Audit be approved.**

#### **REPORT**

In October 2001 Council approved the current Charter for Internal Audit as recommended by the former Audit Task Group. Attached to this report is a proposed revised Charter for Internal Audit. This reflects recent changes in emphasis for Internal Audit, including the Accounts and Audit Regulations 2003, and best practice as detailed in the latest CIPFA Code of Practice for Internal Audit issued in 2003.

As well as defining the way in which the Internal Audit function is established and undertakes its functions, the revised Charter sets out how the work of Internal Audit assists in establishing a Statement of Internal Control to comply with corporate governance requirements, including risk management.

The Charter sets out how Internal Audit will liaise with and report to clients and also covers their own obligations and responsibilities in relation to internal control and the management of risk and in the context of Internal Audit work.

#### **FINANCIAL IMPLICATIONS**

None as a direct result of this report

#### **LEGAL IMPLICATIONS**

None as a direct result of this report

#### **MONITORING OFFICER'S COMMENTS**

The Monitoring Officer has been consulted and has no further comments to add.

#### **SECTION 151 OFFICER'S COMMENTS**

The Section 151 Officer has been consulted and has no further comments to add.

**BACKGROUND PAPERS**

CIPFA Code of Practice for Internal Audit in Local Government (2003)

## INTERNAL AUDIT CHARTER

### Introduction

The main objectives of this Charter are to;

- Explain the role and objectives of Internal Audit in general terms;
- List the actual services provided by Internal Audit;
- Clarify the working relationship with senior officers, managers, staff and the Council's external auditors;
- Specify the operational responsibilities and standards applicable to Internal Audit; and
- Clarify the obligations of clients

### Role and Objectives of Internal Audit

"Internal audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources." – CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2003.

Internal Audit is established by the Council to review its activities with the objectives of:

- evaluating and reporting on the adequacy and effectiveness of the Council's system of internal control, in accordance with statutory responsibilities created under s151 of the Local Government Act 1972 and the Accounts and Audit Regulations 2003;
- helping the Council accomplish its objectives and fulfil its strategies;
- providing assurance to the Council as to the effectiveness of its policies, plans and procedures;
- supporting the Council by helping to improve the efficiency and effectiveness of its operations;
- optimising the contribution of, and levels of assurance provided by, audit and other review agencies;
- supporting the corporate Best Value and CPA processes through the conduct of audit assignments.

### Statement on Internal Control

To comply with corporate governance requirements, the Council must publish a Statement on Internal Control with the financial statements. This statement will represent an overall review of internal control, including the processes of risk management, providing a broad reflection of the governance of the Council.

A substantial element of this statement will be based on the result of Internal Audit work. To facilitate this Internal Audit Reports contain opinions on the overall management of risks and the adequacy and effectiveness of controls being reviewed. The Audit Committee will approve the Statement on Internal Control to be signed by the Leader of the Council and the Chief Executive.

## **Risk Management and Internal Audit**

The existence of Internal Audit does not diminish the responsibility of Corporate Directors and Service Heads to establish systems of internal control and to effectively manage both strategic and operational risks relating to their Services. Under the Council's Risk Management Policy, Service Heads have primary responsibility for the day-to-day management of business risk. This will be underpinned by the Council's Risk Register, which will be aligned to the Corporate Plan and the business planning process.

As an independent appraisal function Internal Audit's role is to assist managers in this process by evaluating risk in areas under review, providing assurance wherever possible and making recommendations to optimise levels of control.

## **Scope of Internal Audit**

The scope of Internal Audit allows for unrestricted coverage of the authority's activities and unrestricted access to all records, assets, documents, correspondence and control systems deemed necessary in the course of the audit. In addition, Internal Audit, through the Internal Audit Manager, where deemed necessary, will have unrestricted access to:

- the Chief Executive;
- elected Members and the Audit Committee;
- individual Directors and Service Heads; and
- all authority employees.

In pursuing its objectives, Internal Audit will:

- seek to direct audit resources to areas presenting the highest risk to the authority;
- review the effectiveness of operations in meeting the published and planned objectives of the Council;
- review the reliability and integrity of systems and procedures adopted to produce financial and operational information;
- review the effectiveness of systems in ensuring compliance with relevant policies, plans, laws and regulations;
- review the arrangements for safeguarding the Council's assets and interests;
- review and evaluate the economy, effectiveness, and efficiency with which resources are employed;
- conduct special reviews and investigations; and
- liaise with the Council's external auditors in order to maximise the effectiveness of audit activity.

### **Audit Independence**

The key determinant of the effectiveness of Internal Audit is that it is seen to be independent. To ensure this, Internal Audit will operate within a framework that allows:

- unrestricted access to senior management;
- reporting in its own name; and
- segregation from line operations.

Objectivity will be preserved by ensuring that all audit personnel are free from conflicts of interest and do not undertake any non-audit duties.

All Internal Audit activities will be carried out in accordance with the specific authorities provided by the Council's Financial Procedures.

### **Location of Internal Audit**

Internal audit is located within Financial Services, in accordance with the financial regulations, under the direction of the Head of Financial Services (the Council's s151 Officer).

### **Internal Audit Responsibilities**

The main areas of Internal Audit responsibility within the authority are to:

1. Review, appraise and report on:
  - The effectiveness of arrangements to manage risk, maintain internal control and deliver high standards of governance;
  - The appropriateness and reliability of internal controls; and
  - The suitability and reliability of financial and performance management information.
2. Investigate frauds and irregularities.
3. Support and advise on the development of new policies, strategies, processes and systems.

In managing the Internal Audit function, the Internal Audit Manager is responsible for:

- submitting an annual report to the Audit Committee detailing the performance of Internal Audit for the previous financial year, and giving an opinion on the effectiveness of the Council's systems of internal control;
- managing the internal audit function and determining the scope and methods of audit activity;
- identifying areas of operation for internal audit review consistent with corporate and other service plans and objectives;
- developing an annual operational plan based on an assessment of materiality and risk and reviewing/revising the plan on a quarterly basis, identifying the resources needed to achieve it;
- submitting reports to the Audit Committee on the development, monitoring and review of the annual plan and operational plans;

- ensuring that Internal Audit work is effectively planned, controlled and recorded and is undertaken with due professional care;
- reporting to management on the results of audit activities and agreeing actions for improvements where necessary;
- reviewing the progress by management to implement the agreed actions for improvements;
- performing audit reviews in collaboration with the Council's external auditors, and;
- maintaining a suitably skilled, qualified, and experienced internal audit service.

### **Reporting Responsibilities**

The Internal Audit Manager reports administratively and functionally to the Head of Financial Services as the Council's s151 Officer. S/he is also authorised to report directly to the Chief Executive and all levels of management as necessary.

The Internal Audit Manager will prepare and distribute to relevant managers a written report following the conclusion of each audit, containing an agreed plan of action.

Internal Audit will review progress with agreed actions following the agreed implementation date. The Internal Audit Manager will present the results of each audit and of each follow-up review to the Audit Committee.

### **Audit Resources**

The Internal Audit staffing structure will comprise a mix of qualified, technician and trainee posts.

The Internal Audit Manager will carry out a continuous review of the development and training needs of all audit personnel, in line with the Council's scheme for Employee Development and Performance Appraisal.

Internal Audit staff will contribute to regional Audit Group meetings as appropriate with a view to participating in the development and sharing of best practice.

### **Client Liaison and Reporting**

In addition to consultation on audit plans, Service Heads will also be consulted at the start of all audit assignments. The audit plan and schedule of work will be posted on the Intranet and wherever practical auditees will be given two weeks notice of audit assignments.

All substantive audit assignments will be the subject of formal reports. All reports will be drawn up in consultation with auditees and agreed for factual accuracy. Findings will be discussed with a view to agreeing actions for improvement as appropriate. Any unresolved issues will be reported as such together with the reasons why an agreed action cannot be formulated.

Once agreed final reports will be issued to relevant managers, Directors and the Head of Financial Services and a copy sent to the Audit Commission and a copy of the report will be posted on the Intranet.



All audit reports will be formally followed up to monitor implementation of agreed actions.

The Audit Committee will receive and review the findings of audit assignments as presented in the completed reports ensuring management take appropriate action to implement the agreed actions, and to remedy any internal accounting, organisational, or operational control weaknesses identified.

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## **Quality Control**

Internal Audit Feedback questionnaires will be issued following each audit report to enable managers to give feedback on the audit assignment in order to facilitate continuous improvement of internal audit work. Every quarter the Internal Audit Manager will review the responses to the satisfaction surveys and take action as appropriate. Outcomes from satisfaction surveys will be reported to Audit Committee.

## **Relationship with External Audit**

To ensure proper co-ordination of the authority's overall audit arrangements, the Internal Audit Service will, in conjunction with the authority's external auditor, produce a protocol for liaison and joint working and keep it under review.

The protocol will contain provisions enabling the Internal Audit Service to follow up external audit reports and recommendations.

## **Client Obligations**

Service charters not only require the obligations and responsibilities of the service provider to be clear, but also those of the client. Effective service delivery is a two-way process. In the Internal Audit and Risk Management context this is particularly important as Service Heads and managers need to understand what their role is in relation to internal control and the management of risk. In specific terms, this involves:

- identifying, evaluating and managing business (including financial) risks on a day-to-day basis in accordance with the Council's Risk Management Policy;
- informing Internal Audit of proposed new systems to enable involvement from the outset, the scope of involvement to be mutually agreed;
- identifying specific risk areas for potential review by Internal Audit;
- discussing risks identified with the Lead Auditor at the start of an audit assignment with a view to agreeing the scope, objectives and methodology for the review, to be formalised in the audit brief;
- agreeing with the Lead Auditor the plan for the review including timescales, communication lines and expectations, in-line with Corporate policy;
- providing constructive input and adequate resources to complete the review within the agreed timescale;
- responding to audit requests and documentation on a timely basis ensuring that accurate, up-to-date information is made available to auditors as required;
- evaluating and taking ownership of agreed actions, taking account of risk and cost-effectiveness, and;
- implementing agreed actions in line with agreed timescales.

**Meeting of:** AUDIT COMMITTEE

**Date:** 26 JANUARY 2005

**Report of:** INTERNAL AUDIT MANAGER

**Reference:** IAM/AUDCTTEE/050126

**Title:** INTERNAL AUDIT MONITORING

#### **PUBLIC/EXEMPT ITEM**

This item is for consideration in the public part of the meeting.

#### **PURPOSE OF THE REPORT**

To inform Members of progress with the 2004/05 Internal Audit Plan and to seek the Committee's approval for the proposed revisions to the plan.

#### **RECOMMENDATIONS**

1. That the monitoring report is noted
2. That the proposed adjustments to the remaining work programme, as set out in section 3 of the report are approved.

#### **REPORT**

##### **1. Background**

- 1.1 The Internal Audit Plan for 2004/05 was approved by the Audit Committee on 28 July 2005.

##### **2. Monitoring Position As At 17 January 2005**

- 2.1 A detailed monitoring report, showing work undertaken to date against the plan, and estimated days remaining following a comprehensive review of all activity is attached as Appendix A.
- 2.2 Although good progress has been made with the majority of the plan, overall performance has been affected by two major disciplinary investigations undertaken by the Section (requiring 60 days more than provided for in the plan). The whole of the General Contingency of 45 days has been applied to help cover this increased workload. Options for providing some elements of audit work, particularly Computer Audit, from external sources are currently being considered.
- 2.3 At 17 January 2005, it was estimated that there were 319.5 days work remaining in the plan. This compares with available resources of 205, including a provision for 25 days of bought-in audit resources. As at 17 January, therefore, there was a potential shortfall of resources of 114.5 days.

### 3. Proposals

3.1 Proposals for balancing the remaining workload are set out below:

Work Area / Project	Proposed Adjustment (Days)	Comments / Rationale
Emergency Planning	-17.0	The Council's emergency planning policy and procedures have been reviewed and updated this year. See also the next item.
Business Continuity Planning	-16.5	The Civil Contingencies Bill will place greater emphasis on Business Continuity Planning arrangements during 2005/06 and it is proposed to hold this work over to support the Council's approach and consider the relationship with emergency planning arrangements.
Strategic Housing	-15.0	Strategic Housing operations have been examined in one of the investigations undertaken this year.
Licensing	-15.0	In view of new arrangements and increased workloads arising from the Council's licensing responsibilities, it is proposed to hold this work to the 2005/06 audit plan.
Computer Audit	-40.0	Options for entering into an arrangement with Lancashire County Council to provide Computer Audit coverage are currently being explored. For this year, it is intended to undertake a risk analysis (estimated to take 10 days) to help define the scope and approach to future computer audit programmes.
Sustainability/Local Plans/Planning Applications	-19.0	The original plan included three audits totalling 47 days. Discussions have been held with the Head of Planning and Building Control to cover these areas within a single project at a reduction of 19 days.
Corporate Governance and Statement on Internal Control / Partnerships	+8.0	Arrangements to support the production of a robust Statement on Internal Control (SIC) for 2004/05 are currently a major area of work. It is proposed to combine the outstanding budget on Partnerships with the ongoing work on Corporate Governance and the SIC. Options are also being explored for liaising with Lancashire County Council to develop the approach.
Total Adjustments:	-114.5	

### 4. Conclusions

4.1 The adjustments proposed do represent a relatively high percentage (13%) of the annual audit plan in terms of the number of days provided. Notwithstanding this, the adjustments are designed to ensure that remaining resources are devoted to key areas of work, particularly those connected with providing assurance on the internal control environment and the production of the annual Statement on Internal Control.

In appropriate circumstances, some audit work originally scheduled for the current year will be held over to the 2005/06 audit plan.

- 4.2 It is anticipated that discussions with other authorities will bring benefits from joint working arrangements and enable a clearer and more flexible approach to some elements of work in the future, particularly in computer audit work.

#### **FINANCIAL IMPLICATIONS**

In producing the Revised Budget for the Service, it was envisaged that approximately £22K would be used to buy in audit resources (approx 100 days). If only 25 days are used as provided for in the updated Plan, there would be a saving in the region of £15K. It is possible, however, that further resources may be required either once the outcome of the Computer Audit risk analysis is known, or in connection with Corporate Governance work. This would be managed within the available budget.

#### **LEGAL IMPLICATIONS**

None arising from the report

#### **MONITORING OFFICER'S COMMENTS**

The Monitoring Officer has been consulted and has no comments to add.

#### **SECTION 151 OFFICER'S COMMENTS**

The Section 151 Officer has been consulted and has no further comments to add.

#### **BACKGROUND PAPERS**

Internal Audit Plan 2004/05

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## Internal Audit Annual Plan Monitoring Report - 2004/05

## Appendix A

As At 17 January 2005

Category:	Advice and Support	Base Plan	+/- Adjustments	+ WIP Bfwd	- WIP Cfwd	Current Plan	Days to Date	Days Remaining
F001	Advice	80.0	-11.0	0.0	0.0	69.0	53.1	15.9
K001	Support Work	40.0	0.0	0.0	0.0	40.0	31.5	8.5
<b>Totals for Category: Advice and Support</b>		<b>120.0</b>	<b>-11.0</b>	<b>0.0</b>	<b>0.0</b>	<b>109.0</b>	<b>84.6</b>	<b>24.4</b>
<b>Category: Audit Planning and Monitoring</b>								
Y001	Audit Planning and Monitoring	28.0	-5.0	0.0	0.0	23.0	19.8	3.2
Y002	Committee Work	12.0	0.0	0.0	0.0	12.0	10.3	1.7
<b>Totals for Category: Audit Planning and Monitoring</b>		<b>40.0</b>	<b>-5.0</b>	<b>0.0</b>	<b>0.0</b>	<b>35.0</b>	<b>30.0</b>	<b>5.0</b>
<b>Category: Computer Audits</b>								
D301	Information & Communications Technology Audit	60.0	0.0	0.0	0.0	60.0	10.7	49.3
<b>Totals for Category: Computer Audits</b>		<b>60.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>60.0</b>	<b>10.7</b>	<b>49.3</b>
<b>Category: Contingencies</b>								
S001	Investigations	100.0	60.0	0.0	0.0	160.0	148.7	11.3
S002	Provision for Follow Up Reviews	50.0	0.0	0.0	0.0	50.0	34.4	15.6
S003	Provision for WIP Carried Forward	0.0	0.0	0.0	-65.2	-65.2	0.0	-65.2
S004	General Contingency	45.0	-45.0	0.0	0.0	0.0	0.0	0.0
<b>Totals for Category: Contingencies</b>		<b>195.0</b>	<b>15.0</b>	<b>0.0</b>	<b>-65.2</b>	<b>144.8</b>	<b>183.2</b>	<b>-38.4</b>

## Internal Audit Annual Plan Monitoring Report - 2004/05

## Appendix A

As At 17 January 2005

Category:	Major Financial Systems	Base Plan	+/- Adjustments	+ WIP Bfwd	- WIP Cfwd	Current Plan	Days to Date	Days Remaining
A001	Rent Setting, Collection and Control	15.0	0.0	0.0	0.0	15.0	0.0	15.0
D003	Housing Benefits & Council Tax Benefits	25.0	-15.9	0.0	0.0	9.1	9.1	0.0
D010	NNDR	0.0	6.0	0.0	0.0	6.0	4.2	1.8
D505	Ordering, Receiving & Payments	0.0	0.0	7.7	0.0	7.7	7.7	0.0
D509	Payroll - Salaried Employees & Officer Expenses	15.0	-7.0	0.0	0.0	8.0	1.8	6.2
D510	Payroll - Waged Employees	0.0	0.0	0.0	0.0	0.0	0.0	0.0
D514	Treasury Management	0.0	0.0	2.6	0.0	2.6	2.6	0.0
D518	Job Management Systems	20.0	0.0	0.0	0.0	20.0	4.0	16.0
D527	Financial Management	18.0	0.0	5.0	0.0	23.0	9.5	13.5
M008	Fraud & Corruption	20.0	0.0	1.6	0.0	21.6	12.8	8.8
<b>Totals for Category: Major Financial Systems</b>		<b>113.0</b>	<b>-16.9</b>	<b>16.9</b>	<b>0.0</b>	<b>113.0</b>	<b>51.8</b>	<b>61.2</b>
<b>Category: Management Arrangements</b>								
D551	Public Relations & Communications	7.0	0.2	0.0	0.0	7.2	7.2	0.0
G301	Contract Management	0.0	10.0	0.0	0.0	10.0	8.1	1.9
M001	Best Value	15.0	0.0	0.0	0.0	15.0	5.2	9.8
M007	Corporate Governance	25.0	0.0	15.9	0.0	40.9	32.5	8.4
M013	Performance Management & Business Planning	30.0	0.0	0.0	0.0	30.0	17.6	12.4
M015	Partnership Arrangements	15.0	0.0	0.0	0.0	15.0	0.0	15.0
M017	Electronic Government	15.0	0.0	0.0	0.0	15.0	0.7	14.3
M018	Risk Management	30.0	0.0	0.0	0.0	30.0	26.4	3.6
M019	Procurement Strategies	20.0	0.0	0.0	0.0	20.0	18.8	1.2
M020	Emergency Planning	20.0	0.0	0.0	0.0	20.0	2.9	17.1
M021	Business Continuity Planning	20.0	0.0	0.0	0.0	20.0	3.7	16.3
M022	Project Management	20.0	0.0	0.0	0.0	20.0	2.8	17.2
P001	Human Resource Management	0.0	0.0	5.6	0.0	5.6	5.6	0.0
P004	Diversity	15.0	5.0	0.0	0.0	20.0	11.1	8.9
<b>Totals for Category: Management Arrangements</b>		<b>232.0</b>	<b>15.2</b>	<b>21.5</b>	<b>0.0</b>	<b>268.7</b>	<b>142.4</b>	<b>126.3</b>



## Internal Audit Annual Plan Monitoring Report - 2004/05

## Appendix A

As At 17 January 2005

Category:	Non Audit Work	Base Plan	+/- Adjustments	+ WIP Bfwd	- WIP Cfwd	Current Plan	Days to Date	Days Remaining
H001	Non Audit Duties	5.0	0.0	0.0	0.0	5.0	3.0	2.0
<b>Totals for Category:</b>	<b>Non Audit Work</b>	<b>5.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>5.0</b>	<b>3.0</b>	<b>2.0</b>
<b>Category:</b>	<b>Operational Audits</b>							
A016	Emergency Alarms (incl Central Control)	0.0	0.0	0.4	0.0	0.4	0.4	0.0
A021	Supported Housing Services	0.0	0.0	13.0	0.0	13.0	13.2	-0.2
A052	Strategic Housing Services	15.0	0.0	0.0	0.0	15.0	0.0	15.0
B051	Licensing	15.0	0.0	0.0	0.0	15.0	0.1	14.9
B102	Car Parking- Provision & Control	0.0	0.0	4.2	0.0	4.2	4.2	0.0
B201	Leisure Centre & Swimming Pools	0.0	0.0	4.5	0.0	4.5	4.5	0.0
B203	Leisure Management & Sports Development	12.0	-0.5	0.0	0.0	11.5	11.5	0.0
C003	Sustainability	12.0	0.0	0.0	0.0	12.0	3.4	8.6
C004	Planning Applications & Development Control	15.0	0.0	0.0	0.0	15.0	5.3	9.7
C005	Contaminated Land	8.0	-0.7	0.0	0.0	7.3	7.3	0.0
C011	Local Plan Preparation & Implementation	20.0	0.0	0.0	0.0	20.0	0.5	19.5
C201	Museums Partnership	5.0	3.0	0.0	0.0	8.0	3.2	4.8
C260	Econ Dev - Marketing, Promotion & Business Development	8.0	2.4	0.0	0.0	10.4	10.4	0.0
D162	Grants Management	8.0	6.0	0.0	0.0	14.0	13.7	0.3
D453	Markets	10.0	-1.0	0.0	0.0	9.0	9.0	0.0
D461	Management of Commercial Properties	15.0	0.0	0.0	0.0	15.0	0.7	14.3
E003	Vehicles & Plant	0.0	0.0	0.4	0.0	0.4	0.0	0.4
M005	City Centre Development & Management	7.0	-0.8	0.0	0.0	6.2	6.2	0.0
<b>Totals for Category:</b>	<b>Operational Audits</b>	<b>150.0</b>	<b>8.4</b>	<b>22.5</b>	<b>0.0</b>	<b>180.9</b>	<b>93.6</b>	<b>87.3</b>

Appendix A

Internal Audit Annual Plan Monitoring Report - 2004/05

As At 17 January 2005

Category: Secondary Financial Systems	Base Plan	+/- Adjustments	+ WIP Bfwd	- WIP Cfwd	Current Plan	Days to Date	Days Remaining
D006 Cash & Banking	10.0	9.0	0.0	0.0	19.0	17.4	1.6
D513 Members & Civic Expenses	10.0	0.0	0.0	0.0	10.0	9.0	1.0
D529 Banking Services	0.0	0.0	2.6	0.0	2.6	2.6	0.0
E010 Stores	0.0	0.0	1.7	0.0	1.7	1.7	0.0
<b>Totals for Category: Secondary Financial Systems</b>	<b>20.0</b>	<b>9.0</b>	<b>4.3</b>	<b>0.0</b>	<b>33.3</b>	<b>30.8</b>	<b>2.5</b>
<b>Grand Totals:</b>	<b>935.0</b>	<b>14.7</b>	<b>65.2</b>	<b>-65.2</b>	<b>949.7</b>	<b>630.2</b>	<b>319.5</b>

**Meeting of:** AUDIT COMMITTEE  
**Date:** 26 January 2005  
**Report of:** Internal Audit Manager  
**Reference:** aud/audcomm/260105  
**Title:** Results of Internal Audit Work

## **PUBLIC/EXEMPT ITEM**

This item is for consideration in the public part of the meeting.

## **PURPOSE OF THE REPORT**

To inform the Committee of the results of Internal Audit work for the period.

## **RECOMMENDATIONS**

- 1. That the report is noted**

## **REPORT**

### **Introduction**

Part of the Audit Committee's terms of reference is:

*"To receive and review the findings of both Internal and External Audit examinations and to ensure that management takes appropriate action to implement agreed recommendations and to remedy any internal accounting, organisational or operational control weaknesses identified." (Constitution part 3, section 7, § 10)*

### **Results of Internal Audit Work to 14 January 2005**

The summary report and action plan from each completed audit and the summary report for each follow-up review is submitted for Members' consideration. For each audit, a fuller combined report including the Summary, Action Plan and Detailed Report has been posted on the Council's Intranet under Services→Financial Services →Internal Audit→Audit Reports.

If there are any specific questions about a report, or more detailed information is required, it would help if Members could contact me on telephone number 582045 or email [dwhiteway@lancaster.gov.uk](mailto:dwhiteway@lancaster.gov.uk) prior to the meeting.

The following reports are included separately on the agenda:

**New Audit Reports**

<u>Audit Title</u>	<u>Report Date</u>
030510 – Economic Development – Marketing & Promotion	10 November 2004
030511 – Markets	09 September 2004
030540 – Supported Housing Services	13 January 2005
030560 – Software Licensing	29 September 2004
040565 – Housing Benefits & Council Tax Benefits	05 November 2004

**Follow-Up Reviews**

<u>Audit Title</u>	<u>Report Date</u>
020465 – Cultural Facilities & Performances	10 January 2005
020473 – Street Cleansing & Refuse Collection	10 December 2004
020476 – Payroll Waged Employees	26 November 2004
020481 – Parks & Open Spaces	02 September 2004
020485 – Highways Agency	24 December 2004
020487 – Sustainability	05 October 2004
020502 – Payroll Salaried Employees	26 November 2004
030506 – Sea & River Defences	30 November 2004
030507 – Tourism – Promotions	17 September 2004
030512 – HBen & CTax Ben 2003/04 Processing of Claims	04 November 2004
030518 – HBen & CTax Ben 2003/04 Overpayments	14 October 2004

**Matters Arising from Audit Reviews**

There are no significant matters arising from the conduct of the above audit reviews with good progress being made to implement agreed actions, although the following issues are worthy of note:

- Following Internal Audits involvement in the Payroll Follow-up Reviews an Assistant Auditor is now an integral part of the Project Team responsible for the procurement of a replacement HR and Payroll system;
- Detailed consultation arrangements with stakeholders, particularly in relation to matters involving sustainability, street cleansing/refuse collection and the Highways partnership, were on hold awaiting publication of the Council's Corporate Consultation Strategy. Since its publication, relevant officers have been consulting with stakeholders with a view to this work being completed by the end of the current financial year at the latest.

**Results of Responsive Audit Work (Advice, Support and Investigations)**

In addition to scheduled audit work, the following main pieces of responsive work have been undertaken:

▪ **Investigations**

The Principal Auditor and Internal Audit Manager have separately undertaken a significant amount of work as Investigating Officers in two complex and wide-ranging disciplinary investigations. Both investigations have been very time consuming, involving a large number of witness testimonies and evidence gathering, and have been conducted in full compliance with the Council's Disciplinary policies and procedures.

The first of these investigations has now been concluded following a lengthy hearing process. The second investigation is still ongoing, with the investigation report currently being considered by the Service Head concerned.

Any agreed actions relating to procedural or managerial issues arising from these investigations will be reported to the Committee in due course.

▪ **Procurement Strategy Development 2004/05**

Internal Audit continues to play an instrumental part in the Procurement Strategy Group led by the Corporate Director (Central Services). Work has involved revising the Council's Procurement Strategy for 2004 -2006, approved by Cabinet in August 2004, and putting into place a number of the practical measures within the strategy. As well as developing guidance for working in partnership and revising the Council's Contract Procedure Rules, as set out elsewhere on the Agenda, Internal Audit have; assisted in implementing a corporate purchasing card facility pilot scheme; updated the Procurement pages on the Council's website and Intranet, and, more recently, considered options for an electronic contracts register to be available authority-wide.

▪ **Corporate Governance & Statement on Internal Control (SIC)**

Internal Audit was instrumental in producing the 2003/04 Statement on Internal Control and Corporate Governance in accordance with the Accounts and Audit Regulations 2003. Regulation 4 of the Accounts and Audit Regulations requires the Council to maintain a sound system of internal control, including risk management and include a Statement on Internal Control and Corporate Governance with the published accounts.

Internal Audit is currently reviewing arrangements to ensure full compliance with the Regulations for the current financial year. A database is currently being developed to inform annual (and ongoing) reviews of the Council's system of internal control, including risk management and corporate governance arrangements. This will help identify, coordinate and evaluate all relevant sources of assurance as to the effectiveness of the internal control environment and help focus on areas where improvement is needed to achieve the Council's principal responsibilities and objectives.

This is a key piece of work in progress and I will provide a verbal update at the meeting. In the meantime, Internal Audit is carrying out its own reviews of the Council's corporate governance and financial management arrangements, to develop and inform the process.

▪ **Contract Final Account Audits 2004/05**

Internal Audit has conducted five final account audits on engineering contracts. Four of these contracts have exceeded the approved contract sum by more than the established thresholds, mainly due to additional works being added to the contract from the Lancashire County Council Capital Programme. In each case, the reasons for the overspend has been reported to Cabinet in accordance with the Council's Financial Regulations and Procedures and no further matters need to be brought to Members attention.

**FINANCIAL IMPLICATIONS**

None arising from this report

**LEGAL IMPLICATIONS**

None arising from this report

**MONITORING OFFICER'S COMMENTS**

The Monitoring Officer has been consulted and has no comments to add.

**SECTION 151 OFFICER'S COMMENTS**

The Section 151 Officer has been consulted and has no further comments.

**BACKGROUND PAPERS**

Internal Audit Files

### ***03/0510 - Economic Development - Marketing and Promotion***

#### **Contents**

**Basic Information**

**Headline Messages**

**Overall Opinion**

**Action Plan**

#### ***Basic Information:***

**Report Date:** 10 November 2004

**Lead Auditor:** Lorraine Woollard - Assistant Auditor

**Supervisor:** Robert Bailey - Principal Auditor

**Scope:** To review the arrangements in place for Marketing, Promotion and Business Development in the area.

**Objectives:** To provide assurance that significant risks are identified and effectively managed, and that control measures in place are appropriate, robust and reliable.

#### ***Headline Messages:***

- During the course of the audit a Marketing Strategy was developed.
- The newly developed Marketing Strategy includes targets to measure the effectiveness of promotional activity.
- The Service works efficiently to maximise the impact of campaigns aimed at raising the profile of economic development and regeneration in the area.
- Appropriate officers are aware of and comply with relevant corporate standards such as the press and media guidelines.
- Steps are currently being taken to improve the effectiveness of the Service's decision making.
- Steps are currently being taken to ensure that staff responsible for building capacity through partnering/external funding have the necessary skills..
- There is scope to improve management of current partnership arrangements.

**Overall Opinion:**

An initial meeting was held to establish the risks associated with current arrangements in place for economic development marketing and promotion in the area. The audit concentrated on those areas posing the highest risk to the Authority.

At the start of the audit an Economic Development Marketing and Promotions Strategy was not in place. A marketing and advertising plan had been prepared, driven by the Regeneration and Community Strategies, to ensure that the budget was appropriately targeted in accordance with Corporate priorities. The annual marketing plan constitutes a schedule of planned promotional activity, which demonstrates the basis for the Authority's commitment to the promotion of employment opportunities and inward investment through the types of promotional activity funded. During the course of the audit a Marketing Strategy was developed to provide a context for the plan and provide a direct link to the Service Business Plan the Corporate Plan.

The Community Strategy and Corporate Plan have aspirations for a significant level of inward investment but due to budget restrictions, it is considered that current resources are inadequate to support the targets identified. Plans to be developed within the next two years however include charging Economic Development Zone projects a levy to secure additional funding with which to deliver a regional marketing campaign aimed at attracting inward investment. A strategy for marketing the EDZ will be produced at this time to ensure that use of the funding is properly planned and prioritised. This strategy will be linked to the Regional Marketing Campaign to be developed in conjunction with the Lancashire West Partnership (LWP), as identified in the Community Strategy and Corporate Plan.

The Service works efficiently to maximise the impact of campaigns aimed at raising the profile of economic development and regeneration in the area. Marketing campaigns are conducted in-house and expenditure is properly budgeted with full advantage being taken of low cost marketing media with a high impact. The challenge now is to develop performance monitoring arrangements to effectively measure the impact of promotional campaigns and inform future marketing activity. As part of the newly developed Marketing Strategy targets have been identified to measure the effectiveness of promotional activity.

Appropriate officers are aware of and comply with relevant corporate standards such as the press and media guidelines, and corporate identity and style guide. Suitable arrangements have been made to ensure that recent developments or improvements to the area are well publicised, and good use is being made of the Council's website in order to promote and market the area, and to advertise services available to both existing businesses and potential investors. Good arrangements have been made to ensure that effective links exist with potential investors, the business community and other Council Services.

Steps are currently being taken to improve the effectiveness of the Service's decision making. Whilst current information systems are considered adequate, a lack of training in their use, and the manner in which information is recorded has hindered the production of effective management information. A mechanism is required therefore to formalise procedures for recording and maintaining information. Within the next few weeks a new web-based Client Management System is to be installed. The software is to be used by all the Sub Regional Local Authorities and its implementation should ensure that information stored regarding property, contacts and enquiries will be more integrated, and facilitate effective decision making.

The Service is currently taking steps to address identified training needs to ensure that staff responsible for building capacity through partnering/external funding have the necessary skills to make the best of opportunities available. There is however still scope to improve management of current partnership arrangements. The Service has entered into a partnership arrangement with two organisations and whilst arrangements have been formalised for one of the partnerships in the form of a Service Level Agreement, no agreement exists relating to an annual payment



**03/0510 - Economic Development - Marketing and Promotion**

made to a second organisation. During the course of the audit the organisation in question has been contacted to request that a formal agreement be introduced. Whilst current partnership arrangements are considered to provide value for money, a formal mechanism for reviewing and reporting on the performance of partnerships needs to be developed in order to demonstrate that they are meeting Corporate aims and objectives.

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**Report Agreed By:** Head of Economic Development and Tourism

I would like to thank the members of the Service(s) involved in the audit for their contributions and cooperation in the audit.



Derek Whiteway CPFA, Internal Audit Manager





Distribution: Head of Financial Services  
Corporate Director (Regeneration)  
Head of Economic Development and Tourism  
Principal Economic Development Officer  
Marketing Officer  
Members of Audit Committee  
Audit Manager (District Audit)

## Job: Economic Development - Marketing and Promotion

Risk	Agreed Action	Responsibility	Implementation Target Date	Ref
<p><b>Risk Group: A Strategic</b></p> <p>The Council may fail to effectively promote employment opportunities and investment into the area through the lack of an appropriate strategy.</p>	<ol style="list-style-type: none"> <li>The new client management software will be implemented and six monthly reports will be produced thereafter to enable more effective monitoring of the impact of marketing activity.</li> </ol>	Principal Economic Development Officer	31 March 2005	<a href="#">006321</a>
	<ol style="list-style-type: none"> <li>A marketing strategy has been developed which is clearly linked to the Council's corporate aims and objectives.</li> </ol>	Principal Economic Development Officer	18 October 2004	<a href="#">006322</a>
	<ol style="list-style-type: none"> <li>Responsibility for reviewing and monitoring the marketing plan has been clearly defined and documented in the marketing strategy.</li> </ol>	Principal Economic Development Officer	18 October 2004	<a href="#">006553</a>
	<ol style="list-style-type: none"> <li>Officers will continue to take part in the Ipswich Benchmarking Group and seek to develop the collection of comparative data in order to compare the effectiveness of marketing and promotional activity with other Authorities.</li> </ol>	Principal Economic Development Officer	30 April 2005	<a href="#">006554</a>
	<ol style="list-style-type: none"> <li>A report will be presented to the Economic Development Zone officer working group highlighting the need for Economic Development Zone marketing to clearly demonstrate the Council's commitment to the promotion of employment opportunities and inward investment.</li> </ol>	Principal Economic Development Officer	31 January 2005	<a href="#">008358</a>

AP/2

## Job: Economic Development - Marketing and Promotion

Risk	Agreed Action	Responsibility	Implementation Target Date	Ref
<p><b>Risk Group: A Strategic</b></p> <p>The Council may fail to promote employment opportunities and inward investment through a failure to adequately resource implementation of the strategy.</p>	<p>6. To ensure efficient use of scarce resources the effectiveness of previous years marketing activity will be evaluated as part of the annual updating of the marketing strategy.</p>	Principal Economic Development Officer	30 April 2005	<a href="#">007022</a> 
<p><b>Risk Group: B Operational</b></p> <p>The Council may fail to make good partnership arrangements through a lack of consistency and coordination with other partners.</p>	<p>7. To ensure that commitments by the Service to contribute ongoing funding is properly supported by a formalised agreement, Service Level Agreements will be put in place for the local Lancashire West Partnership and the Lancashire Film and Television Office</p>	Principal Economic Development Officer	31 October 2004	<a href="#">006595</a> 
<p>The impact of campaigns to raise the profile of economic development and regeneration in the area may be reduced if scarce resources are not used effectively.</p>	<p>8. In order to effectively demonstrate that Corporate aims and objectives are being achieved through membership of partnerships targets will be set for the Lancashire Film and Television Office to measure their performance. Through membership of the Lancashire West Partnership Inward Investment Group officers will seek to obtain performance monitoring information in order to review the partnership's performance. Results will be reported in regular meetings held with the Cabinet member with special responsibility for Regeneration and Economic Development issues.</p> <p>9. The relevant field will be incorporated into the Content Management System inward pilot software ensuring that the source of an enquiry must be recorded. Completion of all fields will also be made an integral part of the software training.</p>	Principal Economic Development Officer	30 September 2005	<a href="#">006602</a> 
		Principal Economic Development Officer	31 December 2004	<a href="#">006522</a> 

## Job: Economic Development - Marketing and Promotion

Risk	Agreed Action	Responsibility	Implementation Target Date	Ref
<p><b>Risk Group: B Operational</b></p> <p>The impact of campaigns to raise the profile of economic development and regeneration in the area may be reduced if scarce resources are not used effectively.</p>	<p>10. To ensure that the marketing and promotions budget can be properly managed staff concerned will be made aware of the need to liaise with the responsible officer regarding any items of expenditure coded to it.</p>	Marketing Officer	18 October 2004	<a href="#">006524</a>
	<p>11. Further Best Practice visits be made to improve identification of target markets and subject to budgetary allocations the engagement of an external marketing campaign will be considered.</p>	Principal Economic Development Officer	30 April 2005	<a href="#">006527</a>
	<p>12. All publications, except journal or magazine adverts, will be passed to the Council's Communication Section for verification.</p>	Marketing Officer	18 October 2004	<a href="#">006528</a>
	<p>13. To avoid any duplication, and to support the development of the corporate library, a copy of the Service Marketing Plan will be passed to the Communications Team each year for comment/information.</p>	Marketing Officer	18 October 2004	<a href="#">006535</a>
<p>Failure to attract inward investment into the local economy, and assist local businesses to develop, if promotional activity does not raise the profile of economic development and regeneration in the area.</p>	<p>14. The Marketing Officer will receive upto date training following the forthcoming redesign of the Council website.</p>	Marketing Officer	31 January 2005	<a href="#">006545</a>
	<p>15. Responsibility for maintaining and keeping information included on the Council's website up to date will be defined in the marketing plan.</p>	Principal Economic Development Officer	31 October 2004	<a href="#">008359</a>

**Job: Economic Development - Marketing and Promotion**

Risk	Agreed Action	Responsibility	Implementation Target Date	Ref
<p><b>Risk Group: Information</b></p> <p>The Council may fail to maximise opportunities to promote the area through insufficient communication with potential investors and residents.</p>	<p>16. Consideration will be given to whether it would be more beneficial to centralise the records held of contacts, networks and sources of information ensuring that officers have appropriate access to all data held at the next Economic Development Team Leaders meeting.</p>	<p>Head of Economic Development and Tourism</p>	<p>31 December 2004</p>	<p><a href="#">006336</a></p>
<p>The Service's decision making processes in respect of Marketing and Promotion may be hindered through a failure to record all relevant information.</p>	<p>17. Full training will be provided in the use of the Client Management System to ensure that all staff are confident in using the new software and are able to make good use of all the facilities available.</p>	<p>Principal Economic Development Officer</p>	<p>31 December 2004</p>	<p><a href="#">006392</a></p>
<p></p>	<p>18. A review of the business directory publication and database will be completed to include formalising procedures and responsibilities for keeping information up to date.</p>	<p>Principal Economic Development Officer</p>	<p>31 March 2004</p>	<p><a href="#">006408</a></p>

**Action Plan Agreed By:** Head of Economic Development and Tourism

**Report Issued On:** 10 Dec 2004

***03/0511 - Markets***

**Contents**

**Basic Information**

**Overall Opinion**

**Action Plan**

***Basic Information:***

***Report Date:*** 09 September 2004

***Lead Auditor:*** Dawn Buttle & Amanda Robinson

***Supervisor:*** Robert Bailey - Principal Auditor

***Scope:*** A risk based review of the Council's arrangements for markets administration.

***Objectives:*** To provide assurance that significant risks are identified and effectively managed, and that control measures in place are appropriate, robust and reliable.

**Overall Opinion:**

Areas covered within this review suggest that on the whole markets are well managed. Whilst markets nationally are declining Morecambe Festival Market in particular is thriving and a waiting list of traders is maintained.

The Authority is well aware of the problems associated with the running of Lancaster Market, not least the budget deficit, and a Cabinet Committee, the 'Lancaster Market Committee', was set up in 2003 to consider the strategic issues and in particular those arising from the Best Value Review of Assets and Facilities. Due to the work of that Committee the emphasis of this audit was procedural issues, though the need to document the aims and objectives of markets to ensure that they are appropriately represented in the business planning process was noted.

Procedures for the operation of markets are to be documented and issued to all relevant staff. The staffing structure is currently being reviewed and the restructure will provide the opportunity for operational efficiencies to include devolving ordering to the markets through making the new Market Managers responsible spending officers.

Risks relating to invoicing, cash income, banking and reconciliation procedures are well managed, although a mutual agreement between Revenues and Property Services means that a receipt is not issued at the time of transferring monies in accordance with the Council's Constitution. However there are major concerns regarding the safety of staff collecting monies from the Charter Market and Assembly Rooms, and subsequently transferring monies collected to central cashiers for banking, the amounts carried far exceeding the limits set out in the insurers' money policy. These issues are to be addressed through proposed changes to the operation of the Charter Market, the staffing restructure, encouraging traders to pay by direct debit and consideration of banking through Securicor.

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**Report Agreed By:** Head of Property Services





I would like to thank the members of the Service(s) involved in the audit for their contributions and cooperation in the audit.



Derek Whiteway CPFA, Internal Audit Manager

Distribution: Corporate Director (Regeneration)  
Head of Property Services  
Head of Financial Services  
Members of Audit Committee  
Audit Manager (District Audit)

## Job: Markets

Risk	Agreed Action	Responsibility	Implementation Target Date	Ref
<p><b>Risk Group: A - Strategic</b></p> <p>The Authority may fail to deliver its aims and objectives in respect of markets if aims and objectives are not clearly defined and responsibilities for delivery not appropriately allocated.</p>	<p>1. The aims and objectives of markets will be documented to ensure that they are appropriately represented in the business planning process to secure sufficient resources for their continued operation.</p>	Head of Property Services	31 March 2005	<a href="#">007083</a> 
<p><b>Risk Group: B Operational</b></p> <p>The risk of fraud and error may be increased through an inadequate separation of duties in respect of ordering, receiving and payment for goods and services.</p>	<p>2. Under the restructuring arrangements Market Managers are to be given responsible spending officer status.</p>	Head of Property Services	31 March 2005	<a href="#">007085</a> 
<p>The Authority may fail to recover losses through a failure to maintain an up to date inventory.</p>	<p>3. Inventories will be drawn up in accordance with the Council's Constitution and all attractive and portable items security marked. Annual checks will be carried out thereafter verifying the list, reviewing the condition of items listed and prompting action in the event of surpluses/deficiencies, the inventory being noted accordingly.</p>	Market Managers	31 July 2005	<a href="#">007089</a> 
<p><b>Risk Group: E - Information</b></p> <p>Financial losses may occur if the Authority fails to keep adequate records/information on the operation of markets.</p>	<p>4. Procedures for the operation of markets will be documented and issued to all relevant staff.</p>	Market Managers	31 July 2005	<a href="#">007140</a> 



**Job: Markets**

Risk	Agreed Action	Responsibility	Implementation Target Date	Ref
<p><b>Risk Group: F People</b>                      Staff may suffer injury and/or financial losses may occur if there are inadequate security arrangements particularly with regard cash collection &amp; banking.</p>	<p>5. Consideration will be given to the introduction of bankings by Securicor for rents collected in Lancaster once new arrangements, including the revised staffing structure, changes to Charter Market etc., are in place.</p>	<p>Head of Property Services</p>	<p>31 March 2005</p>	<p><a href="#">007214</a></p>
<p>6. The Head of Property Services is to ensure all staff have access to the lone worker policy. Staff have been advised to take the two-way radios provided with them when they go out and have been further advised that they may have attack alarms.</p>	<p>Head of Property Services</p>	<p>31 August 2004</p>	<p><a href="#">007218</a></p>	

**Action Plan Agreed By:** Head of Property Services

**Report Issued On:** 09 September 2004

### ***03/0540 - Supported Housing Services***

#### **Contents**

**Basic Information**

**Headline Messages**

**Overall Opinion**

**Action Plan**

#### ***Basic Information:***

**Report Date:** 13 January 2005

**Lead Auditor:** Lorraine Woollard - Assistant Auditor

**Supervisor:** Robert Bailey - Principal Auditor

**Scope:** To review the effectiveness of arrangements in place for delivery of the Authority's Welfare Services.

**Objectives:** To provide assurance that significant risks are identified and effectively managed, and that control measures in place are appropriate, robust and reliable.

#### ***Headline Messages:***

- **Good channels of communication exist between the Elderly Services Manager and sheltered housing scheme managers.**
- **The Authority is to continue to work closely with its partners to develop an effective mechanism for co-ordinating and communicating information and advice.**
- **Tenant involvement within sheltered housing schemes will be further developed.**
- **The 'No Secrets in Lancashire' joint strategy has been adopted for the protection of vulnerable adults from abuse.**
- **Support plans will be properly assessed and reviewed and procedures will ensure that the tenant is kept fully informed of arrangements made.**

**03/0540 - Supported Housing Services****Overall Opinion:**

An initial meeting was held to establish the risks associated with current arrangements in place for delivery of the Authority's Supported Housing Services. The audit concentrated on those areas posing the highest risk to the Authority including the protection of vulnerable and elderly citizens from abuse; provision of support/advice to vulnerable and elderly citizens; up to date support plans; and effective communication with sheltered housing scheme managers and residents. The main focus of the audit was on Supported Housing Services provided by Council Housing Services.

Scheme Managers have often experienced difficulties in the absence of the Elderly Services Manager as she is the only senior officer who currently has the necessary expertise and knowledge to support them. This was recognised and has been addressed in the recent restructure of Council Housing Services.

Through the Tenant Participation Compact, the Authority is committed to ensuring that all tenants have an opportunity to be involved in the management of their homes, and good arrangements are in place to ensure effective communication with Sheltered Housing residents. Tenants have a variety of options available to comment on service delivery including satisfaction surveys, although previous surveys have not included questions specifically aimed at sheltered housing residents. Sheltered Housing tenants tend to be consulted about issues that directly affect them, often on a very informal basis. Tenant involvement within Sheltered Housing Schemes is to be further developed by encouraging scheme specific forums and a joint Sheltered Housing Forum. This is an ideal way in which sheltered housing residents can be consulted about the management of their homes and inform future service delivery.

In October 2001 a joint strategy to protect vulnerable adults from abuse was developed by Lancashire Social Services in collaboration with various partners, including the Health Service, District Councils, Police and other associated organisations. At the time, Lancaster City Council endorsed the 'No Secrets in Lancashire' document demonstrating, to an extent, its commitment to the protection of vulnerable adults. There is now a need to ensure that arrangements in place for the protection of vulnerable adults from abuse comply with guidance detailed in the 'No Secrets' document.

It is recognised that there is a need to work closely with partners and other stakeholders to develop an effective mechanism for co-ordinating and communicating information/advice, and to seek a clear pathway to comprehensive, co-ordinated and structured advice and support regarding housing options available for vulnerable and elderly citizens. In line with the corporate response to achieving Level 2 of the Equality Standard for Local Government, arrangements will be reviewed to ensure that hard to reach groups are properly informed about housing services available

**Report Agreed By:** Head of Health and Strategic Housing Head of Council Housing

I would like to thank the members of the Service(s) involved in the audit for their contributions and cooperation in the audit.



Derek Whiteway CPFA, Internal Audit Manager






Distribution: Head of Financial Services  
Corporate Director (Community Services)  
Head of Health and Strategic Housing  
Chief Housing Officer  
Strategic Housing Manager  
Principal Management Officer (Council Housing)  
Members of Audit Committee  
Audit Manager (District Audit)

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## Job: 03/0540 - Supported Housing Services

Risk	Agreed Action	Responsibility	Implementation Target Date	Ref
<p><b>Risk Group: A: Strategic</b></p> <p>The Council may fail to fulfil its commitment to protect vulnerable and elderly citizens if policies and procedures to protect them from abuse are not in place.</p>	<p>1. The 'No Secrets in Lancashire' joint strategy, as already endorsed by the Authority, will be formally adopted.</p>	Head of Council Housing/Head of Health and Strategic Housing	26 November 2004	<a href="#">007028</a>
<p>Failure to help vulnerable and elderly citizens remain in their homes if advice available is unco-ordinated/fragmented.</p>	<p>2. Implementation of the 'No Secrets in Lancashire' joint strategy for the protection of vulnerable adults will ensure that:</p> <ul style="list-style-type: none"> <li>- Scheme Wardens receive appropriate training and are issued with guidance manuals.</li> <li>- Sheltered Housing residents, and their relatives, are properly informed of the correct procedures for reporting abuse or neglect</li> <li>- All cases of suspected or actual abuse are reported in line with policy with consideration being given to whether medical attention is required or a criminal offence has been committed.</li> <li>- policy and procedures are periodically reviewed by Tenant Forums.</li> <li>- appropriate checks are made with the Criminal Records Bureaux prior to the employment of Scheme Managers</li> </ul> <p>3. The Authority will work closely with its partners and other stakeholders to develop an effective mechanism for co-ordinating and communicating information/advice and to seek a clear pathway to comprehensive, co-ordinated and structured advice and support regarding housing options available for vulnerable and elderly citizens.</p>	Principal Housing Manager	31 March 2006	<a href="#">007030</a>
<p>Failure to help vulnerable and elderly citizens remain in their homes if advice available is unco-ordinated/fragmented.</p>	<p>3. The Authority will work closely with its partners and other stakeholders to develop an effective mechanism for co-ordinating and communicating information/advice and to seek a clear pathway to comprehensive, co-ordinated and structured advice and support regarding housing options available for vulnerable and elderly citizens.</p>	Strategic Housing Manager	31 March 2006	<a href="#">006995</a>

## Job: 03/0540 - Supported Housing Services

Risk	Agreed Action	Responsibility	Implementation Target Date	Ref
<p><b>Risk Group: A: Strategic</b></p> <p>Failure to help vulnerable and elderly citizens remain in their homes if advice available is unco-ordinated/fragmented.</p>	<p>4. In line with the corporate response to achieving level 2 of the Equality Standard for Local Government, arrangements will be reviewed to ensure that hard to reach groups are properly informed about housing services available</p>	<p>Strategic Housing Manager</p>	<p>31 March 2006</p>	<p><a href="#">007082</a></p> 
<p><b>Risk Group: B: Operational</b></p> <p>Support plans may be ineffective if they are not based on up to date assessments of need.</p>	<p>5. Support plans will be properly assessed, regularly reviewed and fully documented and appropriate officers will receive appropriate training in assessment procedures. Procedures will ensure that residents views are taken into account during assessments and that they are kept fully informed of arrangements made</p>	<p>Principal Housing Manager</p>	<p>31 March 2005</p>	<p><a href="#">007063</a></p> 
<p><b>Risk Group: D: Information</b></p> <p>Service delivery may be affected if communication with scheme managers is ineffective.</p>	<p>6. The legal position with regard to 'duty of care' in respect of residents who choose to have no formal contact with the Scheme Manager will be established and the appropriate action taken.</p>	<p>Principal Housing Manager</p>	<p>31 December 2004</p>	<p><a href="#">007069</a></p> 
<p><b>Risk Group: D: Information</b></p> <p>Service delivery may be affected if communication with scheme managers is ineffective.</p>	<p>7. Difficulties experienced by Scheme Managers in obtaining assistance in the absence of the Elderly Services Manager have been addressed in the recent restructure of Council Housing Services.</p>	<p>Principal Housing Manager</p>	<p>26 November 2004</p>	<p><a href="#">007050</a></p> 
<p>Lack of tenant participation and/or satisfaction if communication with sheltered housing residents is ineffective.</p>	<p>8. Tenant involvement within Sheltered Housing Schemes will be further developed by encouraging scheme specific forums and a joint Sheltered Housing Forum.</p>	<p>Principal Housing Manager</p>	<p>31 March 2005</p>	<p><a href="#">007046</a></p> 

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**Action Plan Agreed By:** *Head of Health and Strategic Housing Head of Council Housing*      **Report Issued On:** *13 January 2005*

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***04/0560 - Software Licensing***

**Contents**

**Basic Information**

**Overall Opinion**

**Action Plan**

***Basic Information:***

***Report Date:*** 29 September 2004

***Lead Auditor:*** Amanda Robinson - Assistant Auditor

***Supervisor:*** Robert Bailey - Principal Auditor

***Scope:*** To review the Council's arrangements for ensuring all software (programs used in computer systems (e.g. operating systems and application programs) and the magnetic disks, tapes etc. on which they are recorded) used within the organisation are legitimate and compliant with applicable licences.

***Objectives:*** To provide assurance that significant risks are identified and effectively managed, and that control measures in place are appropriate, robust and reliable.



**04/0560 - Software Licensing****Overall Opinion:**

This review concentrated on Authority procedures to ensure compliance with software legislation, the Authority having recently been approached by FAST (Federation Against Software Theft), an anti-piracy organisation wanting to check compliance and promoting their membership scheme and Audit Certification Programme.

Information Services maintain a database of software licenses and are working towards regular software audits. A system, Track-It, updated from the live infrastructure, is capable of listing software running and is currently 'auditing' in excess of four hundred PCs on a daily basis. Once fully operational (i.e. all Authority PCs included) regular reconciliations of the information produced to that held on the licenses database will evidence compliance.

It is apparent that current policy relating to software is ineffective and there is a need to raise Corporate awareness, understanding and compliance. The Corporate Policy on the Use of PC Software is to be reviewed and promoted with the E-mail and Internet Policy and Information Security Policy and all users will be required to 'sign up' to compliance. A list of software which users can legitimately download from the Internet is also to be posted on the Intranet thus making it clear that all other downloads need appropriate prior approval.

Procedures, particularly relating to software purchasing and installation, are to be improved through centralisation thus enabling prompt update of the licensing database, improved software security and the introduction of a definitive software library per best practice promoted by ITIL (IT Infrastructure Library) which supports and is supported by the British Standards Institution's Standard for IT Service Management (BS15000).

Whilst this audit is unable to give assurances that the Authority is currently compliant implementation of the resulting agreed actions will demonstrate how the Authority is working towards compliance.

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**Report Agreed By:** Operations Manager



I would like to thank the members of the Service(s) involved in the audit for their contributions and cooperation in the audit.



Derek Whiteway CPFA, Internal Audit Manager

Distribution: Corporate Director (Central Services)  
Head of Information Services  
Operations Manager  
Head of Financial Services  
Members of Audit Committee  
Audit Manager (District Audit)

**db: 04/0560 - Software Licensing**

Risk	Agreed Action	Responsibility	Implementation Target Date	Ref
<p><b>Risk@up: D - Operational</b></p> <p>The Authority may be using unlicensed software through a failure to effectively control the purchasing and distribution of software.</p>	<p>1. Corporate policy on the use of PC software is to be revised and rationalised in one document. IS are to be responsible for all software purchases and installations, thus enabling the maintenance of a comprehensive and up to date license database, and consideration is to be given to who should authorise such purchases, Information Custodians possibly being more appropriate than Service Heads (responsible per current policy). IS are also to be responsible for the custody of software and licenses, a definitive software library to be maintained per best practice (IT Infrastructure Library &amp; BS15000). Documented procedures for software purchasing will be available to appropriate staff within IS.</p>	<p>Operations Manager</p>	<p>31 December 2004</p>	<p><a href="#">008032</a></p> 
	<p>2. Once the Corporate Policy on the Use of PC Software is revised it will be issued with the E-mail and Internet Policy and Information Security Policy to all staff who will be required to sign up to compliance. IS will ensure that all new starters sign up to compliance with corporate IT policies prior to systems access being granted.</p>	<p>Operations Manager</p>	<p>31 March 2005</p>	<p><a href="#">008036</a></p> 

**db: 04/0560 - Software Licensing**

Risk	Agreed Action	Responsibility	Implementation Target Date	Ref
<p><b>Risk/oup: D - Operational</b></p> <p>The Authority may be using unlicensed software through a failure to effectively control the purchasing and distribution of software.</p>	<p>3. IS are working towards full software audits through the Track-It system and regular reconciliations of the information produced against the license database. It is hoped that monthly reports of changes can be developed to speed up the reconciliation process.</p> <p>Controls over returning replaced PCs to IS are to be strengthened to ensure that they are not subsequently brought back into use without the knowledge of IS.</p>	<p>Operations Manager</p>	<p>31 December 2004</p>	<p><a href="#">008041</a></p>
<p>The Authority's systems may not comply with software licensing laws through the actions of individuals not employed by the Authority.</p>	<p>4. A list of software which employees may download from the Internet without permission will be posted on the Intranet thus making it clear that all other downloads need prior approval.</p>	<p>Operations Manager</p>	<p>31 December 2004</p>	<p><a href="#">008101</a></p>
<p>The Authority may fail to comply with the law through inadequate security arrangements for software.</p>	<p>5. The revised Corporate Policy on the Use of PC Software will make clear the rules relating to third parties (e.g. consultants) loading software onto LCC machines.</p> <p>6. Controls relating to the copying of software by IS for use by systems support are to be improved to ensure that the number and whereabouts of copies is known at all times.</p>	<p>Operations Manager</p>	<p>31 December 2004</p>	<p><a href="#">008063</a></p>
<p><b>Action Ran Agreed By:</b> Operations Manager</p>	<p><b>Report Issued On:</b> 29 September 2004</p>			

### **Contents**

**Basic Information**

**Headline Messages**

**Overall Opinion**

**Action Plan**

#### ***Basic Information:***

**Report Date:** 05 November 2004

**Lead Auditor:** Amanda Robinson - Assistant Auditor

**Supervisor:** Robert Bailey - Principal Auditor

**Scope:** To review the Council's arrangements for Housing Benefit and Council Tax Benefit payments concentrating on Counter Fraud.

**Objectives:** To provide assurance that significant risks are identified and effectively managed, and that the control measures in place are appropriate, robust and reliable.

#### ***Headline Messages:***

- Counter fraud activities are well managed.
- Counter Fraud performance is 97% compliant with the Department for Works and Pensions (DWP) Performance Standards.
- Staff are accountable for performance and strive for continuous improvement.

**04/0565 - Housing Benefits and Council Tax Benefits 2004/05****Overall Opinion:**

Housing Benefits and Council Tax Benefits were divided into seven functional areas per the DWP Performance Standards at the start of the 2003/04 audit review. The areas were prioritised for audit coverage with a view to gaining assurance that Standards set were being achieved and actions introduced to ensure continued improvement were appropriate and robust. Counter Fraud was selected for review this year as the third priority, the higher priorities, 'Processing of Claims' and 'Overpayments' being covered last year.

The Claims Security Team had completed their Performance Standards Self Assessment, just prior to the audit, results showing them ninety seven percent compliant. Whilst the audit did not repeat the Self Assessment, elements of it were included within the review. All standards covered within the audit were considered in place.

This audit concludes that the Authority's Counter Fraud arrangements are well managed through appropriate, established procedures compliant with legislation and in-line with DWP guidance and Corporate Policy. Arrangements are in place for continued improvement including active involvement with appropriate external bodies, keeping abreast of legislative changes, appropriate training and fraud awareness for all benefits staff and quality checking and review mechanisms.

Only two agreed actions resulted from the hundred plus controls covered, both of which are considered low priority and one, relating to staff acknowledging receipt and understanding of the Corporate Anti-Fraud and Corruption Policy and Strategy and Service specific policies relating to fraud, having subsequently been implemented.

It was evident throughout this review that the Claims Security Team aims high in terms of standards and performance and it should be congratulated on its achievements.

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**Report Agreed By:** Chief Revenues Officer

I would like to thank the members of the Service(s) involved in the audit for their contributions and cooperation in the audit.



Derek Whiteway CPFA, Internal Audit Manager

Distribution: Corporate Director (Central Services)  
Chief Revenues Officer  
Benefits and Customer Services Manager  
Principal Officer (Claims Security)  
Management and Administration Officer  
Head of Financial Services  
Members of Audit Committee  
Audit Manager (District Audit)

**Job: 04/0565 - Housing Benefits and Council Tax Benefits 2004/05**

Risk	Agreed Action	Responsibility	Implementation Target Date	Ref
<p><b>Risk Group: Counter Fraud</b></p> <p>Fraudulent acts may not be identified and fraudsters may escape detection if the Authority fails to encourage a culture where fraud is not tolerated.</p>	<p>1. The Chief Revenues Officer is to revise the declarations form. The revised form is to be issued to all Revenues staff ensuring declarations are up to date. Records of future reviews will be retained on file.</p>	<p>Chief Revenues Officer</p>	<p>31 March 2005</p>	<p><a href="#">008190</a></p>
	<p>2. The Corporate Anti-Fraud and Corruption Policy, Anti-Fraud and Corruption Strategy and Fraud Response Plan together with the Benefits Anti-Fraud Policy is to be issued to all benefits staff via e-mail. Revenues Administration are to visit all staff to obtain a signed declaration that they have read and understood the documents.</p>	<p>Management and Administration Officer</p>	<p>30 November 2004</p>	<p><a href="#">008203</a></p>

**Action Plan Agreed By:** Chief Revenues Officer

**Report Issued On:** 05 November 2004

**Internal Audit - Follow Up Summary Report****Job: 03/0512 - Housing Benefits & Council Tax Benefits 2003/04 (Processing of****Date of Final Report:** 10 October 2003**Agreed By:** Benefits and Customer Services Manager**Date of Follow-Up:** 04 November 2004**Overall Opinion on Follow Up:**

Two agreed actions resulting from the original review are no longer relevant through legislative changes abolishing benefit periods. Progress has been made on implementing all remaining agreed actions, eight being fully implemented and implementation ongoing in respect of the other two, one of which is not due to be implemented until next March.

Improved performance monitoring identifying trends, patterns and remedies for feedback to assessors has seen steady progress in BVPI outturns:

- the 90% target for processing new claims within 14 days being exceeded in August 2004 with 91%;
- the 36 days target for deciding new claims being exceeded in July and August with 31 and 28 days respectively; and
- the 9 days target for processing changes in circumstances being exceeded in August with 6 days.

The Service is currently introducing a new system aiming to further improve performance, BVPI targets to be allocated on a team, rather than individual, basis.

Claims having in excess of the capital allowed are now 'fast-tracked' to Assessors by the Benefits Verification Assistants allowing prompt notification of non-entitlement to benefit. The majority of decisions based on determinations by the Rent Service are within the two day target.

Financial Services have introduced independent reviews of bank reconciliations, the reviewing officer signing a printed copy of the reconciliation.

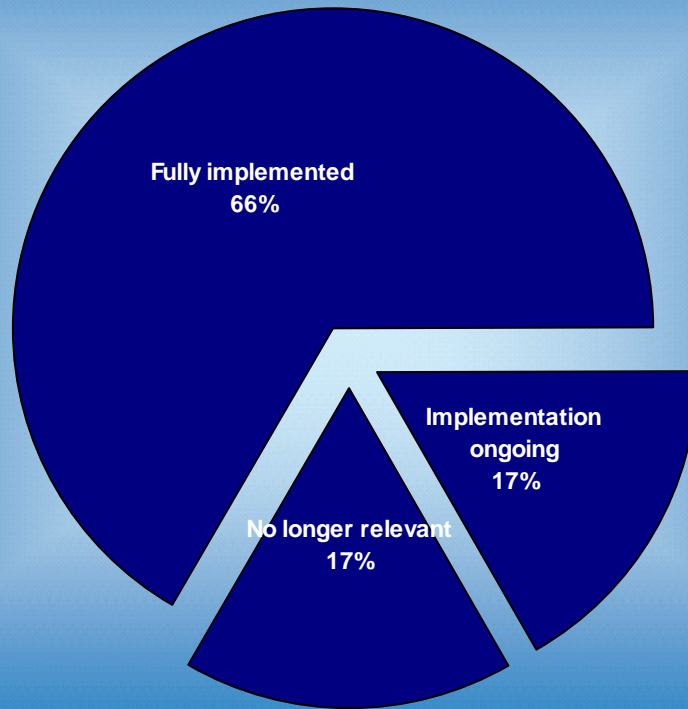
Remedy has been sought from Academy ensuring that the amount of benefit awarded cannot exceed the chargeable debit. A review of the document management system is currently underway funded through the DWP Help Fund, priority being to get the system up to date and extend usage to private tenants by March 2005.

There was one unresolved issue from the original audit relating to cheques being crossed 'not negotiable'. Risks associated with this method of payment are recognised by the Service though the Benefit Fraud Inspectorate report in July 2000 found the Authority no more prone to fraud through this method of payment. A working group has now been formed with a view to introducing BACS payments for all landlords by the end of this financial year and all claimants by March 2006.



## Summary Results of Follow Up:

## Progress with Implementation of Agreed Actions



Implementation Status	No of Actions
Agreed action has been fully implemented	8
Agreed action is in the process of being implemented	2
Agreed action is no longer relevant	2



**Job: 03/0512 - Housing Benefits & Council Tax Benefits 2003/04 (Processing of****Implementation of Agreed Actions - Detail****Ref****Agreed action has been fully implemented:**

The Service are to improve the time taken to process applications to the Rent Service, aiming for within two days, through the implementation of the new staffing structure. The Service will also seek to improve the time taken to effect decisions based on the determinations.

[004545](#)

The Service will continue to seek improvement in the speed of deciding claims aiming to reduce the average time taken to under 36 days through increased resources and continuous review of processes.

[004542](#)

The Service will continue to seek improvement in the speed of deciding claims aiming to achieve 90% decided within 14 days of receipt of information through increased resources and performance monitoring.

[004541](#)

The Principal Benefits Officer (Systems Support) will continue to seek remedy from Academy to ensure that the amount of benefit awarded cannot exceed the chargeable debit. A report, claim integrity, is expected to be amended soon making such cases easier to identify for manual correction.

[004650](#)

The Exchequer Services Officer will independently review and sign off bank reconciliations carried out by the Accounts Clerk thus introducing an element of independence to the reconciliation process.

[004649](#)

Claims relating to those identified as having in excess of the maximum capital allowed, by the Benefits Verification Assistants, will be 'fast-tracked' to the assessors to enable immediate notification of non-entitlement to benefit.

[004635](#)

A system is to be set up to identify trends, patterns and remedies following feedback from management checks.

[004593](#)

The Service will continue to seek improvement in the time taken to process changes of circumstances to nine days, per the performance standards, through increased resources and continual review of processes.

[004556](#)

**Agreed action is in the process of being implemented:**



The Principal Benefits Officer (Performance Monitoring) is currently reviewing procedures with regards target setting and making recommendations which will contribute to Service improvement. Once recommended changes are implemented the effects of the changes are to be monitored on an ongoing basis to ensure the desired outcomes are achieved and to make ongoing adjustments as appropriate.

[004543](#)



The Service accept the need for electronic property details and a review of the document management system is currently underway funded by the DWP Help Fund. The priority is to get the system up to date in terms of system releases and extend usage to private tenants by December 2004. Once all claims are dealt with through the system consideration will be given to the development of electronic property details.

[004637](#)

**Agreed action is no longer relevant:**



Responsibility for identifying renewals has recently been transferred to the Benefits Verification Assistants and such cases are to be dealt with as a priority with a view to improving processing times. The improvement will be monitored on an ongoing basis through the BVPIs and changes will be made if appropriate.

[004579](#)



A monitoring system is to be introduced for analysing the reasons for failure to report changes with a view to providing guidance on the tailoring of benefit periods and to identify trends and patterns.

[004559](#)

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*Derek Whiteway*

Derek Whiteway CPFA, Internal Audit Manager

Distribution: Corporate Director (Central Services)  
Chief Revenues Officer  
Benefits and Customer Services Manager  
Head of Financial Services  
Members of the Audit Committee  
Audit Manager (Audit Commission)

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## ***Internal Audit - Follow Up Summary Report***

**Job: 02/0465 - Cultural Facilities and Performances**

**Date of Final Report:** 14 January 2004

**Agreed By:** Head of Arts & Events

**Date of Follow-Up:** 10 January 2005

### ***Overall Opinion on Follow Up:***

A follow-up review has been carried out to determine progress made in implementing actions agreed following the audit completed in January 2004. Thirteen actions were agreed of which just four have yet to be implemented, two of which are not due for implementation until March/April 2005. The remaining actions have either been fully implemented or are currently being addressed by the Arts and Events Service.

With regard to planning and funding arrangements, the Festivals and Events Cabinet Liaison Group met on the 27th September to discuss options for the Festivals programme for 2005/06. These options were presented to Cabinet and the final programme determined through the Star Chamber budget exercise. The agreed action to develop a three year rolling programme of festivals and events is not currently practicable because of budget constraints.

Since the audit relevant officers have received training in creating pages for the Council's website/intranet and some information has been published. Developments with regard to ticketing arrangements planned for this financial year include the installation of a wireless connection at the Dome, thus enabling tickets to be sold at the venue via the ticketing system. The possibility of offering customers the facility to purchase tickets on line can then also be explored.

Improved arrangements have been introduced for effective co-ordination with the Authority's other cultural Services and liaison meetings now take place. Performance monitoring in relation to Service Level Agreements made with the Private Sector is now reported to Members of the Grants Committee.

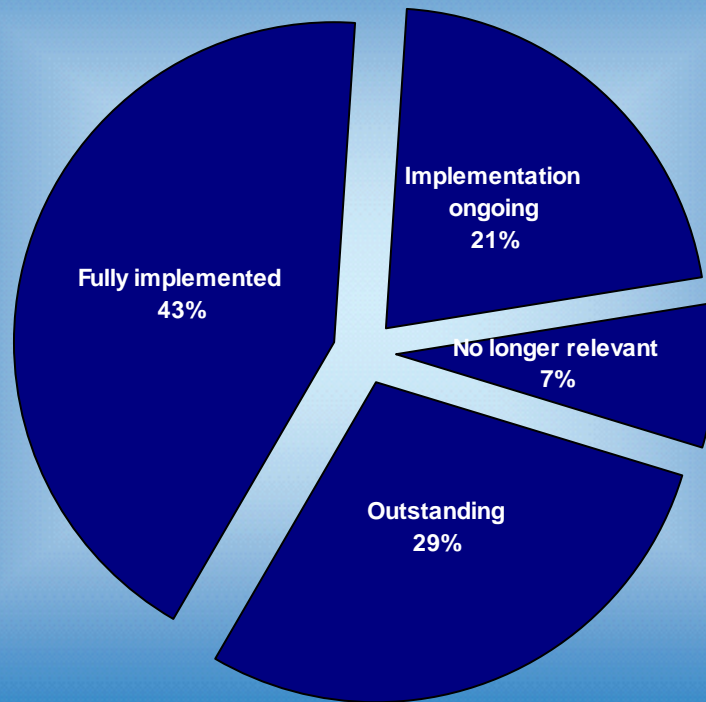
The programming strategy has been reviewed by the Festivals and Events Cabinet Liaison Group to ensure that programming is as diverse as possible within the constraints of the budget available. Membership of the Cabinet Liaison Group has been reviewed to include representatives of the Private Sector.

Provision of in-house training on the ticketing system has not yet been provided for appropriate members of the Service due to the workload of the responsible officer. Assurances have been given that the training will be given before the end of the financial year. The need for further external training aimed at improving the effective operation of the ticketing system is recognised by the Service however funding for provision of this training has not yet been identified.

Agreed actions in relation to installation of the ticketing system at the Dome, and development of a revised Arts Strategy are not due for implementation until March 2005 and as such will be followed up in the new financial year.

Summary Results of Follow Up:

Progress with Implementation of Agreed Actions



Implementation Status	No of Actions
Agreed action has been fully implemented	6
Agreed action is in the process of being implemented	3
Agreed action is no longer relevant	1
Agreed action is still to be implemented	4

**Job: 02/0465 - Cultural Facilities and Performances****Implementation of Agreed Actions - Detail****Ref****Agreed action has been fully implemented:**

Staff will be trained in the effective use of the financial management system and discussion held with Financial Services aimed at identifying opportunities for future investment in the Dome.

[004791](#)

A report will be submitted to the Grants Task Group requesting that they approve, monitor and review the Service Level Agreements made with the Private Sector.

[004792](#)

A report outlining the options for developing a more inclusive membership of the Festival and Events Task Group, including private sector organisations and other stakeholders, will be presented for consideration.

[004788](#)

The programming strategy, currently being developed with other programmers, will seek to ensure that programming is diverse and increases participation of socially excluded groups.

[004784](#)

Following implementation of the upgraded software for creating pages on the Council's intra/internet arrangements will be made for officers to receive training and for the development of the Service's website.

[004777](#)

The Service will use the recently formed joint marketing group and the Festival and Events Task Group to assist in a review of marketing efforts across the District ensuring coordination with other cultural service providers.

[004794](#)**Agreed action is in the process of being implemented:**

Subject to the identification and availability of suitable funding arrangements will be made for installation of the PASS ticketing system at the Dome.

[004776](#)

The Events/Systems Officer will contact the suppliers of the 'PASS' ticketing system to discuss the possibility of offering customers the facility to purchase tickets on-line.

[004775](#)**Agreed action is no longer relevant:**

A report will be presented to the Festivals and Events Task Group outlining the options for the development of a three year rolling programme of events, as identified in the Corporate Plan.

[004786](#)

**Job: 02/0465 - Cultural Facilities and Performances**

**Agreed action is still to be implemented:**



The revised Arts Strategy will be written in consultation with residents and stakeholders and will incorporate the main aims and objectives for the District. Members will monitor and review progress in implementing the strategy through regular reports to Cabinet.

[004888](#)



The Service will continue to develop a comprehensive monitoring system aimed at improving the collection of meaningful performance management information, including relevant, reliable, and realistic performance indicators.

[004799](#)



The need for PASS training was identified in individual officers EDPA's and will be provided by the Events/Systems Officer. Subject to available funding further training aimed at improving the effective operation of the PASS ticketing system will be identified by the suppliers.

[004885](#)



Discussions will be held with the Head of Property Services to consider the effectiveness of current promotional activity for the hire of Council venues with a view to introducing a more co-ordinated approach.

[004808](#)

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*Derek Whiteway*

Derek Whiteway CPFA, Internal Audit Manager

Distribution: Corporate Director (Regeneration)  
Head of Arts and Events  
Head of Financial Services  
Members of Audit Committee  
Audit Manager (District Audit)

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## **Internal Audit - Follow Up Summary Report**

**Job: 02/0473 - Street Cleansing & Refuse Collection (inc Recycling)**

**Date of Final Report:** 11 August 2003

**Agreed By:** Head of City Contract Services

**Date of Follow-Up:** 10 December 2004

### **Overall Opinion on Follow Up:**

A follow-up review has been carried out to determine progress made in implementing actions agreed following the audit completed in August 2003. Twenty one actions were agreed at the time of the audit of which just two have yet to be implemented. The remaining actions have either been fully implemented or are currently being addressed by City Contract Services. One agreed action in relation to trade refuse has been reviewed and revised.

The Council's strategic aims in respect of waste management are defined in the Corporate Plan as improving the cleanliness of our environment and reducing the total amount of waste produced in the District by recycling and reusing where possible. Provision for a three streamed kerbside refuse collection has increased to just over a third of the District's households since the time of the original audit. As funding is secured and the scheme is rolled out to more households, capacity issues identified in the original audit are being addressed.

Performance management arrangements have been addressed with the implementation of an improved financial model for budgetary purposes, and monthly meetings between Section Managers and the Service Head to discuss performance. In addition to the Best Value performance indicators and targets already reported to DEFRA the Service is also in the process of developing a set of local performance indicators in order to measure the efficiency and effectiveness of the Service.

The Service has been involved in developing the Council's Emergency Planning procedures and has reviewed its contingency planning arrangements resulting in greater flexibility with regard to vehicles. Contingency plans are in the process of being documented.

The Service is addressing the need for more formalised arrangements with regard to disposal of recyclable waste. There are plans to subject the disposal of office waste and dry recyclates to tender before the end of the financial year.

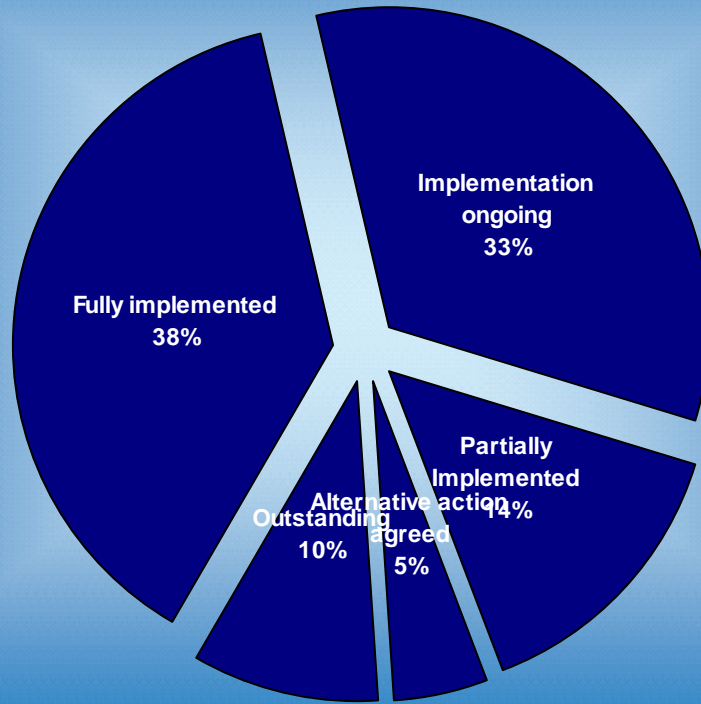
Health and Safety assessments are being reviewed by the Service on a ongoing basis and appropriate staff have now been trained in the use and storage of chemicals. Accident reporting procedures have been conveyed to all staff and the importance of reporting accidents/incidents made clear. Arrangements are in place to ensure that, as far as possible, the Service is kept up to date with Health and Safety legislation.

The Service recognises the need for a consultation plan and intends to link into corporate arrangements for consulting stakeholders on all aspects of equality, scheduled in the Corporate Plan to take place before the end of March 2005.



Summary Results of Follow Up:

Progress with Implementation of Agreed Actions



Implementation Status	No of Actions
Agreed action has been fully implemented	8
Agreed action is in the process of being implemented	7
Agreed action has been partially implemented	3
Agreed action has been reviewed and revised	1
Agreed action is still to be implemented	2



**Job: 02/0473 - Street Cleansing & Refuse Collection (inc Recycling)****Implementation of Agreed Actions - Detail****Ref****Agreed action has been fully implemented:**

An improved financial model for budgetary control purposes has recently been introduced including regular monitoring and reporting to Members.

[003306](#)

The Service will implement a formal mechanism for identifying and bidding for growth in demand to ensure that increases in the level of service delivery are effectively managed. This will be identified as a priority in the business planning process

[003304](#)

Any mechanism introduced to identify and plan for increases in demand will be incorporated into the budgeting process.

[003303](#)

To ensure that the Service has the capacity to react to unplanned incidents, management will consider as part of its contingency planning how best to ensure that resources are available when required. Once standby/spare vehicles have been identified they will be included in the maintenance programme.

[002906](#)

Management should ensure that the Service is effectively involved in the Council's Emergency Planning procedures.

[002905](#)

Accident reporting procedures have been conveyed to all staff and the importance of reporting accidents/incidents made clear.

[002909](#)

The Service will investigate arrangements adopted by the Authority for ensuring that Services receive prompt notification of any new legislation.

[002879](#)

Appropriate staff have now been trained in the use and storage of chemicals, as required by COSHH regulations, and procedures will ensure that this training is kept up to date.

[002886](#)

**Job: 02/0473 - Street Cleansing & Refuse Collection (inc Recycling)****Agreed action is in the process of being implemented:**

As part of the procurement exercise to purchase software to manage City Contract Service complaints and enquiries, Management will consider the implications of the Corporate Customer Response Management System. In the meantime, to simplify the present system, customer complaints logged via the Council's website will be directed to one common e-mail address.

[003692](#)

Management will carry out a Service wide review of health and safety assessments and will identify the timescale and resources needed in the business plan. This exercise will also include reiteration of the health and safety policy and a requirement for officers to confirm, by signature, that they have read and understood its content.

[002907](#)

Once risk assessments have been documented they will be reviewed on a regular basis in order to ensure that they remain effective. Copies of the assessment will be issued to employees.

[002908](#)

Management are currently in the process of developing a robust performance management mechanism enabling the Service to prioritise objectives and plan, monitor and review service delivery. Section Managers are to meet monthly with the Service Head to discuss performance and will be required to produce weekly performance reports.

[002913](#)

Contingency plans will be properly documented and roles/responsibilities communicated to appropriate staff taking account of emergency planning arrangements.

[002878](#)

The Service will put in place robust systems for providing management information for performance management purposes in order to measure the efficiency and effectiveness of the Service as a whole.

[003305](#)

In order to ensure that priorities included in the Services business plan are achievable resources required will be properly identified through the budget process.

[002893](#)

**Job: 02/0473 - Street Cleansing & Refuse Collection (inc Recycling)****Agreed action has been partially implemented:**

The Service will introduce effective arrangements ensuring that vehicles are serviced on a regular basis and that standby vehicles are available as necessary to provide cover for vehicles being serviced/repaired.

[002883](#)

Management will review the arrangements for ensuring that all vehicles meet with relevant health and safety requirements.

[002881](#)

When appropriate, arrangements for the treatment of recyclable waste will be subject to competitive tender in line with Contract Procedure Rules and a formal contract awarded.

[002903](#)**Agreed action has been reviewed and revised:**

A business plan specifically for Trade Refuse will be developed as soon as possible. The Business Plan will include the feasibility of offering a recycling service to trade waste customers. The investigation will include consideration of all potential risks and appropriate consultation. The Service will also compare the benefits of purchasing equipment against the cost involved in hiring.

[003534](#)**Agreed action is still to be implemented:**

Customer feedback following the consultation exercise will be used to inform standards set and failure to meet achievable/realistic expectations will be properly reported and acted upon.

[002891](#)

A plan for consultation with all stakeholders will be progressed as soon as the framework for Corporate Consultation Strategy has been adopted.

[002890](#)

*Derek Whiteway*

Derek Whiteway CPFA, Internal Audit Manager

Distribution: Head of Financial Services  
 Corporate Director (Community Services)  
 Head of City Contract Services  
 Waste and Cleansing Manager  
 Members of Audit Committee  
 Audit Manager (District Audit)

## **Internal Audit - Follow Up Summary Report**

### **Job: 02/0476 - Payroll - Waged Employees**

**Date of Final Report:** 31 March 2003

**Agreed By:** Head of Financial Services and Head of Personnel Services

**Date of Follow-Up:** 26 November 2004

### **Overall Opinion on Follow Up:**

Of the eighteen agreed actions resulting from the original review ten have been fully implemented, implementation is ongoing for two, two are still to be implemented and four have been revised.

As the contract for the current Delphi Millennium system expires in March 2006 the E-Government Executive has decided that resources are to be directed towards the evaluation, procurement and implementation of a replacement system rather than integrating current Payroll and Personnel modules. Adequate separation of duties, internal checking mechanisms and reporting facilities are to be incorporated in the new system and input and processing procedures are to be properly documented by the appropriate Service once the new system is in place. Authorisation mechanisms preventing the appointment of casual workers without authorisation are also to be pursued.

Personnel Services have facilitated four half day workshops with Services specifically covering the subject of casual workers, a topic also included at the annual workshop with Service Heads in July 2003. As a result of these workshops the employment rights of casual workers have been recognised, financial responsibilities have been discharged and many casual posts have been established reducing the Authority's reliance on casual workers.

Services' awareness of the Constitution and Financial Procedures is being raised through the Principal Accountants' quarterly meetings with Services. Training requirements are being identified and training is to be delivered by March 2005.

Operators transmitting BACS files now have individual passwords which they are encouraged to change regularly and the supervisor password is changed every thirty days. BACS processing is currently being overhauled through the introduction of BACSTEL-IP and the new system will provide a more secure processing environment.

The MDIS ProteCT replacement system TASK has improved validation on payroll input. Employees at City Contract Services responsible for inputting timesheets are now provided with an authorised signatory list which has recently been reviewed. The Accountant responsible for the Service is monitoring wages and has highlighted problems to be addressed, in particular estimates which are now to be produced from scratch.

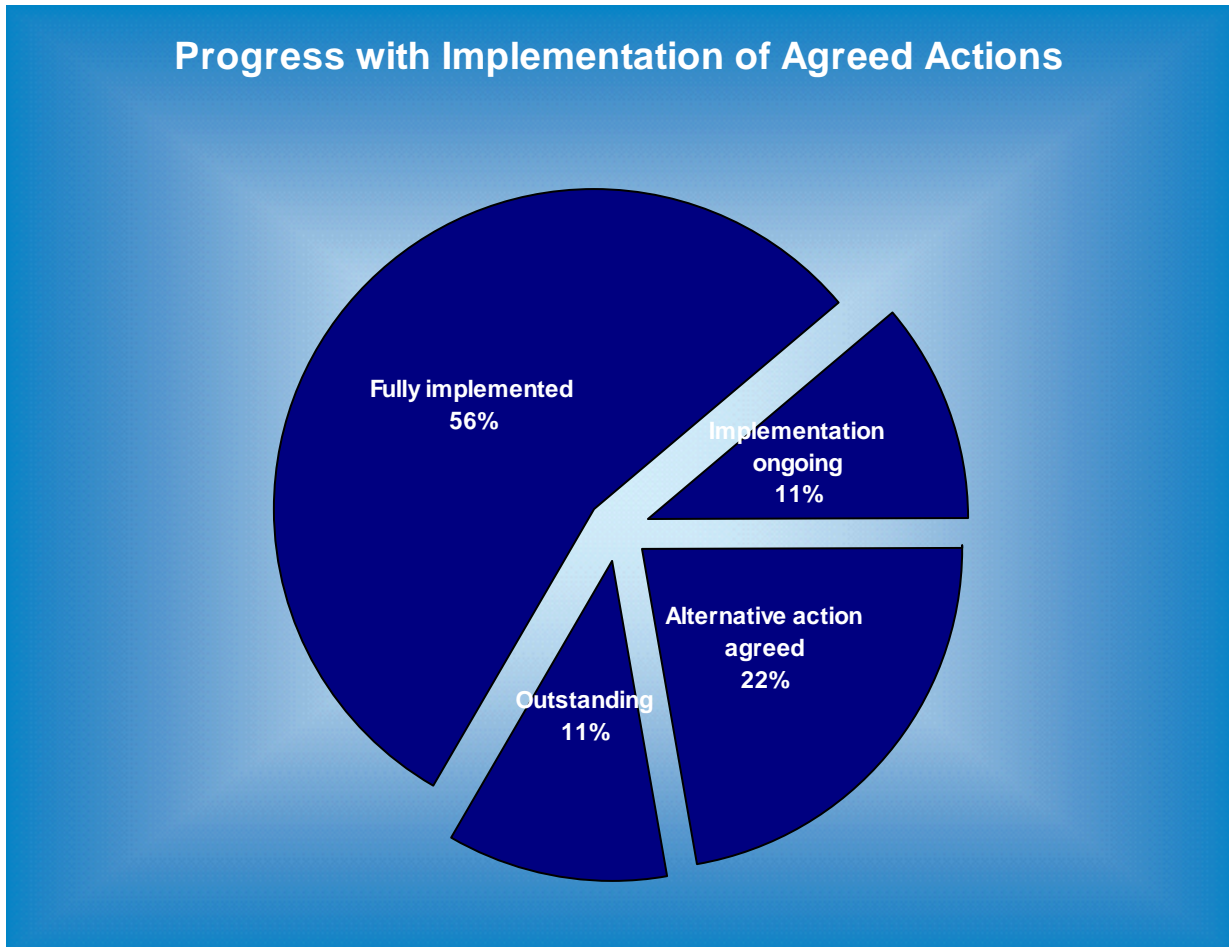
All new employees are now required to provide verification of their National Insurance number. Grading/rate of remuneration offers made to new starters are to be independently reviewed within Personnel Services and the starters database is to be checked to the Payroll system quarterly ensuring new starters are being paid on the correct spinal point. Starter forms maintained by the Payroll Officer are noted whenever P45 or P46 forms are submitted to the Inland Revenue. Personnel Services introduced a 'Change of Conditions of Employment' form in June 2003 to help ensure prompt notification of changes affecting payroll.

An officer independent of the payroll function in Financial Services is now responsible for the collection and distribution of payslips. General fund reconciliations are up to date.

**Job: 02/0476 - Payroll - Waged Employees**

Emergency payment procedures are to be documented and mandate forms are to be updated within the next six months by Financial Services.

**Summary Results of Follow Up:**



Implementation Status	No of Actions
Agreed action has been fully implemented	10
Agreed action is in the process of being implemented	2
Agreed action has been reviewed and revised	4
Agreed action is still to be implemented	2

**Job: 02/0476 - Payroll - Waged Employees****Implementation of Agreed Actions - Detail****Ref****Agreed action has been fully implemented:**

The standard appointment letter has been amended to request that wherever possible new employees provide verification of their National Insurance Number e.g. N.I. card or letter from the Inland Revenue.

[001320](#)

The Head of Financial Services will review wages monitoring processes at City Contract Services.

[001271](#)

The Head of Personnel Services is currently facilitating a series of workshops with senior officer colleagues who have responsibility for recruiting casual workers. It is recognised that in addition to improved understanding of the law in respect of these workers it will also be necessary to put into place system to ensure that no member of staff or casual worker is taken on without the appropriate authorisation.

[001305](#)

MDIS Protect is to be replaced by Oct 2003 and the lack of validation on the MDIS Protect input screens will be addressed when evaluating replacement systems.

[001284](#)

Services will be reminded of the importance of notifying Payroll/Personnel promptly of any changes having an effect on the payroll and of the key payroll dates to be observed.

[001227](#)

When a P45 or P46 is forwarded to the Inland Revenue this will be noted on the starter form.

[001219](#)

The BACS software has been set to require a password change every 30 days and the Operations Manager - Information Services will examine the possibility of staff having their own password to the BACS software.

[001303](#)

The general fund cash reconciliation will be brought up to date as soon as possible.

[001317](#)

As part of the proposed restructuring of Financial Services an officer independent of the payroll function will be made responsible for the collection and distribution of payslips.

[001246](#)

Employees responsible for inputting time sheets will be provided with up to date list of employees authorised to sign.

[001519](#)



**Job: 02/0476 - Payroll - Waged Employees****Agreed action is in the process of being implemented:**

Service Heads will ensure that staff are generally aware of the Constitution and Financial Procedures and other areas specific to their post with which they need to comply.

[001253](#)

As part of Electronic Government requirements alternative income collection and payment methods have to be opened up to citizens. This may result in a complete overhaul of BACS processing methodology and will result in a more secure BACS processing environment.

[001230](#)**Agreed action has been reviewed and revised:**

As stated in Agreed Action Ref 001256, Payroll/Personnel integration should be in place from April 2003 and once this has been carried out responsibility for various duties will be agreed. One of the duties to be agreed is setting up new starters including input of rates of pay; new procedures will ensure adequate division of duty and an appropriate level of internal check. One of the checks to be performed will be verification that details on the appointment form agree to those included in the offer letter.

[001294](#)

The current payroll report writer will not report on current grade and salary without a written program being developed by Midland at a cost. A meeting with Midland software suppliers is due shortly to discuss contract renewal and this issue will be addressed at that time.

[001298](#)

Once the payroll/personnel integration has taken place and responsibilities for various duties agreed, input/processing procedures will be properly documented by the appropriate Service, being mindful of the Corporate Standard on Payroll input.

[001291](#)

Information Services are leading a project team who are aiming for completion of the Payroll/Personnel integration from April 2003. Once this has taken place responsibility for various duties will be agreed and documented, ensuring that separation of duty and internal checks are incorporated into the new procedures.

[001256](#)**Agreed action is still to be implemented:**

Emergency payment procedures will be documented as soon as possible.

[001274](#)

Responsibility for updating the system with termination details will be decided after integration of the Payroll/Personnel system takes place. In the meantime, current mandate forms including authorised signatories for certification of overtime claims etc. will be amended to include authorisation of starters and leavers and issued to Service Heads to be updated. Once the completed mandates have been returned a copy will be provided to the appropriate staff.

[001243](#)

**Job: 02/0476 - Payroll - Waged Employees**



Derek Whiteway CPFA, Internal Audit Manager

Distribution: Chief Executive  
Corporate Director (Central Services)  
Head of Information Services  
Head of Personnel Services  
Head of Financial Services  
Members of Audit Committee  
Audit Manager (District Audit)

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**Internal Audit - Follow Up Summary Report****Job: 02/0481 - Parks, Open Spaces etc (inc GM contract)****Date of Final Report:** 24 January 2003**Agreed By:** Chief Leisure Officer and Head of City Contract Services**Date of Follow-Up:** 02 September 2004**Overall Opinion on Follow Up:**

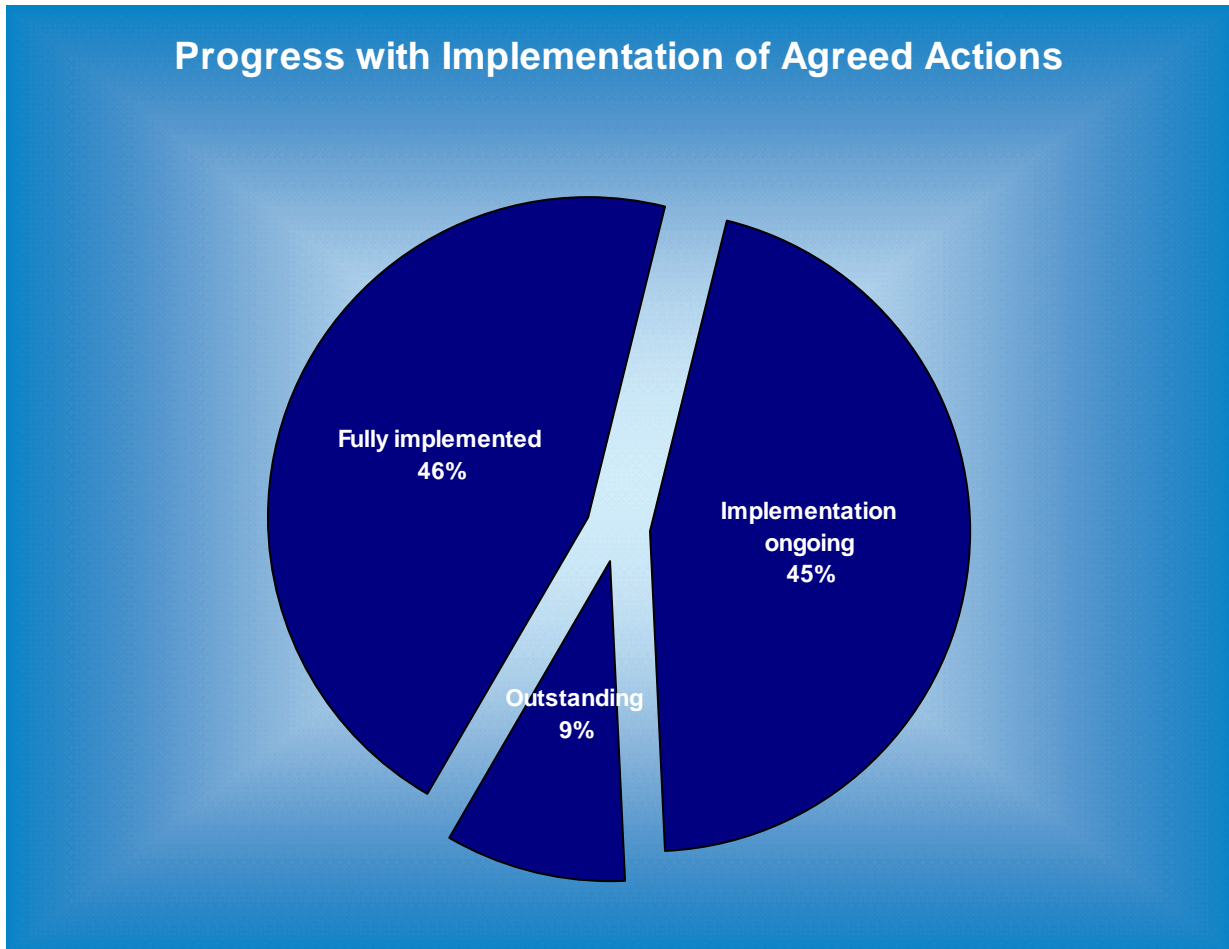
Positive progress has been made towards implementing all agreed actions, many to continue to be addressed on an ongoing basis as the Authority's Parks and Open Spaces Strategy evolves.

The Strategy, currently in draft, aims to improve the provision of parks and open spaces throughout the District and incorporates the ten themes of the 'Manifesto for Public Spaces' produced by a division of the Commission for Architecture and the Built Environment (CABE), Space. CABE Space, funded by the Office of the Deputy Prime Minister (ODPM), champions excellence in the design and management of parks, streets, squares and other open spaces. It works with local authorities and other bodies responsible for public space to provide a better service and aims to ensure that every person has easy access to well designed and well looked after public space. As well as signing up to the Manifesto the Authority is seeking to achieve Green Flag status, the national standard for parks and green spaces managed by the Civic Trust on behalf of CABE Space, for Williamsons Park initially and then Happy Mount Park and one of the rural parks.

As well as improving the quality of provision through better management a key element of the Strategy is providing public spaces which meet local needs. Consultation is currently underway and is to continue as the Strategy develops thus hopefully attracting greater stakeholder involvement, encouraging capacity building and helping to ensure the sustainability of good quality parks and open spaces.

The Strategy is due to be reported to the Overview and Scrutiny Committee on 3rd November 2004 for approval.

Summary Results of Follow Up:



Implementation Status	No of Actions
Agreed action has been fully implemented	5
Agreed action is in the process of being implemented	5
Agreed action is still to be implemented	1

**Job: 02/0481 - Parks, Open Spaces etc (inc GM contract)****Implementation of Agreed Actions - Detail****Ref****Agreed action has been fully implemented:**

Resources for the drawing up of a comprehensive inventory of parks and green spaces are to be co-ordinated.

[002101](#)

The Head of City Contract Services and Chief Leisure Officer will ensure that the proposed strategy is incorporated into their Service Business Plans as appropriate.

[002091](#)

Officers involved in the formulation of the proposed strategy will seek to ensure that consideration is given to the following:

[002090](#)

- alignment with the Corporate Plan, other policies, strategies and initiatives;
- Best Value and CPA;
- relevant legislation including Health and Safety;
- best practice;
- the revision and updating of bylaws;
- resources available (financial, staffing, equipment etc.);
- means of building capacity (staff training, attracting additional funds, community involvement in management, self support/revenue generating schemes, national recognition etc.);
- effective and accessible consultation and communication mechanisms (customer care, helpline, signage etc.);
- reliable, relevant and useful performance measurement which drives improvement and demonstrates effectiveness (broadening community usage, improving access etc.); and
- sustainability issues.



Officers will seek to ensure that consultation needs and their resource implications are explored through formulation of the proposed strategy.

[002061](#)

Officers involved in the formulation of the proposed strategy will seek to ensure that consideration is given to the inclusion of:

[002058](#)

- a current position statement, sufficiently detailed to provide a baseline for evaluating progress;
- prioritised, relevant, realistic and achievable aims and objectives based on an analysis of risk, focused on community needs (and tourism needs where appropriate);
- the standards to be achieved;
- detailed implementation and improvement plans, with targets, identifying the resources required to deliver aims and objectives;
- clear, measurable outputs;
- flexibility and provision for ongoing assessment taking account of performance information and revising and reallocating resources as necessary;
- corporate co-ordination of external funding relating to parks and open spaces; and
- links to relevant policies and procedures (s106 contributions, dissemination of performance information, promotion, reviews etc.).

**Job: 02/0481 - Parks, Open Spaces etc (inc GM contract)****Agreed action is in the process of being implemented:**

Officers will seek to ensure that the need for adequate signage at parks and green spaces, informing customers of contact numbers, is addressed and prioritised through the formulation of the proposed parks and green space strategy.

[002106](#)

Information regarding the costs of rectifying vandalism will be brought to the attention of Anti-Vandalism Task Group to assist in the formulation of the proposed Anti-Vandalism Policy.  
City Contract Services will seek to be included in the planning of special events and festivals staged by the Authority with a view to ensuring that the true costs of preparing and clearing up after such events are identified and appropriately charged. The forthcoming audit review of Cultural Services will consider this issue further.

[002102](#)

Once completed the proposed parks and green space strategy will be summarised, in leaflet form, providing customers information on the standards that can be expected and giving contact points for further information, giving feedback etc. The information will be made available at public buildings and on the Council's website.

[002100](#)

Officers will seek to ensure that adequate Corporate consultation takes place throughout the formulation of the strategy so that it aligns with Corporate aims and objectives and work is not duplicated.  
Once in place the strategy will be accessible throughout the Authority and particularly to those representing the Authority on Community Safety, LA21 etc.

[002092](#)

Officers will seek to ensure that the proposed strategy for the development of parks and green spaces will focus on improving service delivery whilst encompassing customer needs and related local and central government priorities. Both Leisure and City Contract Services will seek to ensure that relevant staff are involved in the planning stage to increase motivation thus aiding the successful implementation of the strategy. Wherever possible, community involvement will be encouraged to assist in assessing need and to promote a sense of ownership which will hopefully lead to the community taking an active role in their future management.

[002057](#)**Agreed action is still to be implemented:**

Once comprehensive inventories are in place for trees and parks and green spaces consideration will be given to the accessibility of information and provision for its updating to record incidents, safety inspections and work programmes etc.

[002103](#)

**Job: 02/0481 - Parks, Open Spaces etc (inc GM contract)**

*Derek Whiteway*

Derek Whiteway CPFA, Internal Audit Manager

Distribution: Corporate Director - Community Services  
Corporate Director - Regeneration  
Chief Leisure Officer  
Head of City Contract Services  
Head of Financial Services  
Members of Audit Committee  
Audit Manager (District Audit)

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## Internal Audit - Follow Up Summary Report

**Job: 02/0485 - Highways Agency**

**Date of Final Report:** 01 April 2003

**Agreed By:** Chief Executive, Head of Engineering Services, Senior Operations Manager and Principal Accountant (Systems Development)

**Date of Follow-Up:** 24 December 2004

### Overall Opinion on Follow Up:

Since the original audit the City Council has entered a 'partnership' agreement with Lancashire County Council for the discharge of certain Highway Authority functions as defined in the agreement.

Of the thirteen agreed actions arising from the audit seven have been fully implemented, two partially implemented, three are still to be implemented and the remaining one, relating to the integration of financial systems, is no longer relevant.

The 'partnership' agreement which sets out the relative duties and responsibilities of both parties was signed on the 1st July 2003 in accordance with Cabinet Minutes of 7th January 2003. City Council staff required to deliver its responsibilities are set out within the agreement together with arrangements and reimbursements in respect of variable items. A review of staffing in Engineering Services has resulted in three additional posts enabling the transition to the new arrangements. The Senior Operations Manager at City Contract Services is monitoring the increasing workload on an ongoing basis and additional workers will be appointed if required.

An offer of a formal Highways Works Contract has now been received. A report is to be presented to Members for a decision with details of the financial viability included. Monitoring the financial viability on an ongoing basis is problematic at present due to the use of County systems and volume of paperwork under new arrangements. Efforts are being made, and will continue to be made, to address the difficulties and the promise of electronic authorisations before Christmas should help.

The Authority protects its interest in the partnership's decision making process through representations on the Area Members Board and Contractors Board. Whilst the Area Board is not yet working as intended, in part through a lack of an Area Manager (due to be appointed w.e.f. 1st April 2005), the Authority has as much influence as is reasonably possible over the budget allocation process which is becoming more objective over time.

Whilst customer focus and consultation arrangements have not progressed as envisaged due to resource implications arrangements are considered adequate in that:

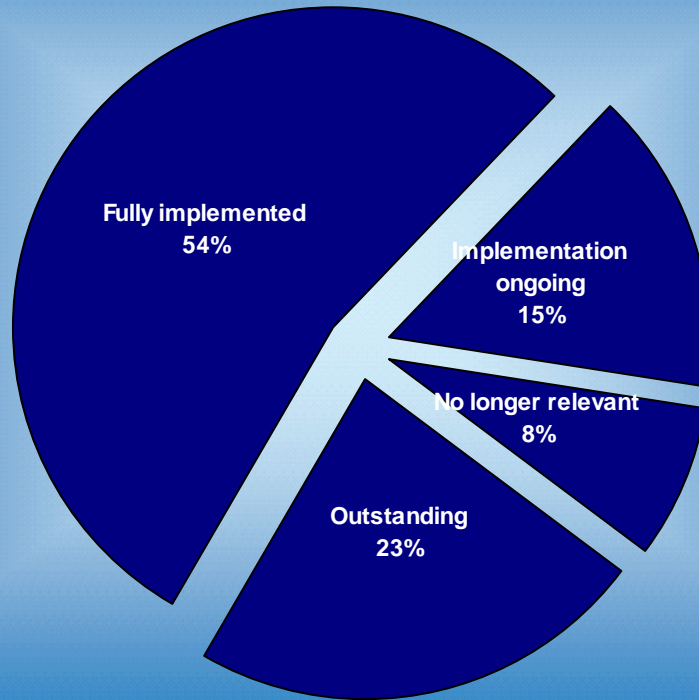
- the dedicated Highways Partnership website is customer focused, advertises the single point of contact and provides a problem reporting facility;
- detailed consultation is taking place in respect of individual schemes and results are fed to the Area Board as appropriate;
- specific stakeholders are invited to attend meetings of the Lancaster District Sustainability Forum as appropriate; and
- the recently formed Transport Cabinet Liaison Group has a list of potential stakeholders which it might like to invite for views on specific subjects.

Arrangements under the new 'partnership' will continue to be monitored with reports to the executive as appropriate.

Job: 02/0485 - Highways Agency

Summary Results of Follow Up:

### Progress with Implementation of Agreed Actions



Implementation Status	No of Actions
Agreed action has been fully implemented	7
Agreed action is in the process of being implemented	2
Agreed action is no longer relevant	1
Agreed action is still to be implemented	3



**Job: 02/0485 - Highways Agency****Implementation of Agreed Actions - Detail****Ref****Agreed action has been fully implemented:**

The Service Level Agreement identifies the number of staff required for core issues as well as reimbursements for variable items. The Head of Engineering Services has identified adequate staffing to meet the terms of the agreement and is currently seeking further resources to ensure a smooth transition into the partnering arrangements and address Service aims and objectives as set out in the business plan.

[002050](#)

The Senior Operations Manager will monitor staff resources at City Contract Services against the Contract workload on an ongoing basis.



The Chief Executive will approve the partnership agreement in consultation with Councillors Gilbert and Barker, as set out in the Cabinet minutes of 7th January 2003, having ensured that governance, review and dispute arrangements are appropriate to the Authority's needs.

[002046](#)

The Head of Engineering Services and Senior Operations Manager will continue to ensure all risks posed through the partnering arrangements are given appropriate consideration and will further ensure that the Authority's needs are adequately met under the new arrangements.

[002037](#)

The Head of Engineering Services will ensure that the Authority has as much influence as possible over the partnership's budget setting process through the Area Board.

[002028](#)

Roles and responsibilities are to be clearly defined in the partnering agreement, through the Service Level Agreement, and designated staff within Engineering Services will be responsible for delivery.

[002016](#)

The Head of Engineering Services will represent the Authority on the Area Board and Cabinet will be asked to nominate a Member to join him, thus ensuring that the Authority has as much influence as possible under the new partnering arrangements (w.e.f. 01 April 2003).

[002015](#)

The Senior Operations Manager (CCS) will represent the Authority on the Contractors Board.



The impact of using County vehicles and materials will be analysed by the Senior Operations Manager in considering the contract offer and recommendations will be made to Cabinet accordingly.

[001976](#)



**Job: 02/0485 - Highways Agency****Agreed action is in the process of being implemented:**

If the Authority enters the agreement the Senior Operations Manager will monitor the financial viability of the Highways Works Contract on an ongoing basis, the Council's continuation with the contractor arrangements being reviewed accordingly.

[002112](#)

Engineering Services will continue to seek ways of developing relationships with stakeholders to improve service delivery, maximising opportunities such as the review of pedestrian zone regulation and preparations for implementing the Streetscene approach.

[002008](#)**Agreed action is no longer relevant:**

The Principal Accountant (Systems Development) will explore the VAT implications of integrating financial systems once information is made available.

[001988](#)**Agreed action is still to be implemented:**

The Senior Operations Manager will report to Cabinet on the financial implications of entering the Highways Works Contract prior to the decision, regarding entering the agreement, being made.

[002048](#)

The Head of Engineering Services will ensure that results of local consultations are reported to the partnership through the Area Board for action as appropriate.

[002025](#)

Engineering Services will seek to develop a more customer focused service delivery, improving contact with customers through the Service website and developing the customer interface of the new County Council communications system. The Service will also seek to utilise a Citizens Panel for regular consultation. Matters arising from communication and results of consultation will be fed to the partnership through the Area Board.

[001995](#)

**Job: 02/0485 - Highways Agency**

*Derek Whiteway*

Derek Whiteway CPFA, Internal Audit Manager

Distribution: Corporate Director (Central Services)  
Corporate Director (Community Services)  
Head of City Contract Services  
Head of Engineering Services  
Head of Financial Services  
Senior Operations Manager - Engineering  
Members of Audit Committee  
Audit Manager (District Audit)

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## **Internal Audit - Follow Up Summary Report**

**Job: 02/0487 - Sustainability**

**Date of Final Report:** 26 August 2003

**Agreed By:** Head of Corporate Strategy

**Date of Follow-Up:** 05 October 2004

### **Overall Opinion on Follow Up:**

A follow-up review has been carried out to determine progress made in implementing actions agreed following an audit carried out in August 2003. Nine actions were agreed following the audit five of which have either been fully, partially or are in the process of being implemented. The remaining four agreed actions have yet to be implemented.

Services have been engaged in the Authority's commitment to sustainability through the policy statement revision process. A Sustainability Working Group has been established with a view to aligning the policy statement with the Agenda for Action and Services have been encouraged to participate in the policy revision process to ensure that objectives set are realistic and achievable. Services have also been required to accept ownership for agreed actions and incorporate them into their business plans as appropriate.

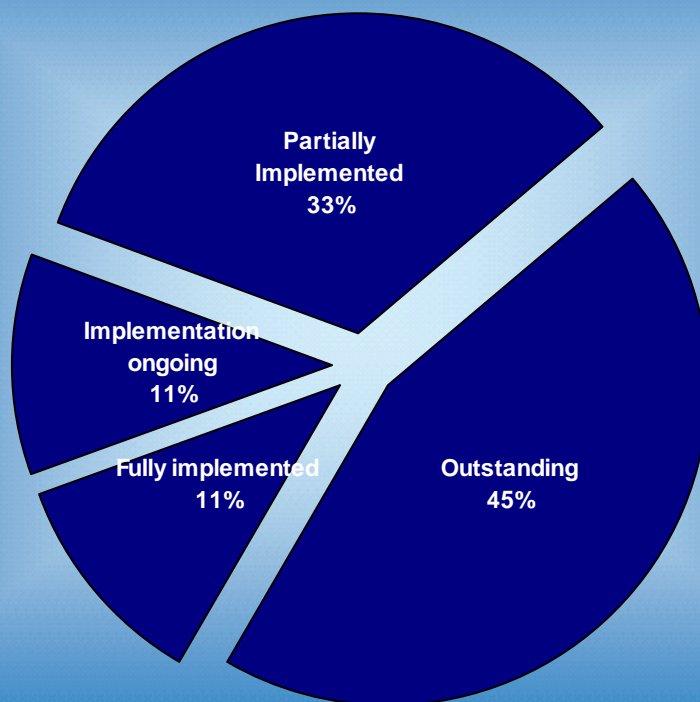
Officers responsible for implementation have been identified for a number of the proposed actions however the policy does not yet identify when and how the proposed actions will be implemented. Local Performance Indicators have not been developed in support of the policy statement but could easily be adapted from those included in the Agenda for Action. Innovative ways of promoting sustainability have also been considered through the policy statement revision process however many have not yet been progressed. As the policy statement revision process is not yet finalised training requirements have not been considered. It is recognised however that education and awareness training is necessary for Members and Officers. The Service aims to complete the review process in time for the 2005/6 business planning process.

A Sustainability Appraisal Checklist has been developed which is aligned to the Agenda for Action and copies distributed to Service Heads. The Authority's website and intranet have also been developed to promote sustainability issues however it is recognised that further work is required and that the sites need to be kept up to date.

The feasibility study in respect of a computerised environmental management system (EMAS) has been put on hold pending the implementation of the electronic performance management system as the new system may negate the need for a specialised environmental management system. The Service recognises the need to co-ordinate, structure and standardise sustainability information through whichever computerised system is introduced.

Summary Results of Follow Up:

Progress with Implementation of Agreed Actions



Implementation Status	No of Actions
Agreed action has been fully implemented	1
Agreed action is in the process of being implemented	1
Agreed action has been partially implemented	3
Agreed action is still to be implemented	4

**Job: 02/0487 - Sustainability****Implementation of Agreed Actions - Detail****Ref****Agreed action has been fully implemented:**

Services will be engaged in the Authority's commitment to sustainability through the policy statement revision process to ensure a corporate co-ordinated approach.

[002741](#)**Agreed action is in the process of being implemented:**

Services will be encouraged to participate in the policy statement revision process to ensure that objectives set, and associated targets, are realistic and achievable. Services will be required to accept ownership for agreed actions and incorporate them into their business plans as appropriate.

[002776](#)**Agreed action has been partially implemented:**

The policy statement revision process will be used as a means of identifying information available throughout the Authority regarding environmental legislation, and compliance, to inform the wider debate on sustainability. Consideration will be given to further developing the draft 'Sustainability Appraisal Checklist' to link it directly to the 'Agenda for Action' thus further demonstrating the Authority's commitment to it.

[002742](#)

Consideration will be given to developing the Council's web-site and intranet to promote sustainability issues and provide guidance. Consideration will also be given to the benefits of implementing EMAS to act as a management tool ensuring the provision of sustainability information is cost-effective.

[002793](#)

Innovative ways of promoting sustainability will be considered through the policy statement revision process.

[002743](#)

**Job: 02/0487 - Sustainability**

**Agreed action is still to be implemented:**



Member and officer training requirements will be considered through the policy statement revision process and means of resourcing training needs explored.

[002787](#)



The feasibility study in respect of a computerised environmental management system (EMAS) will fully assess capacity issues in relation to system management ensuring any proposed system would improve efficiency without increasing workload, whilst delivering timely information in the desired format.

[002791](#)



The Corporate Strategy Service will continue to pursue a means of co-ordinating, structuring and standardising sustainability information through a computerised system.

[002790](#)



The policy statement revision process will seek the development, and Services' adoption, of meaningful and appropriate local performance indicators which effectively demonstrate the Authority's commitment to the 'Agenda for Action'.

[002792](#)

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*Derek Whiteway*

Derek Whiteway CPFA, Internal Audit Manager

Distribution: Chief Executive  
Head of Corporate Strategy  
Head of Financial Services  
Members of the Audit Committee  
Audit Manager (Audit Commission)

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## ***Internal Audit - Follow Up Summary Report***

**Job: 02/0502 - Payroll - Salaried Employees & Officer Expenses**

**Date of Final Report:** 10 October 2003

**Agreed By:** Principal Accountant Technical/Standards, Payroll Officer, Exchequer Services Officer, Principal Personnel Officer, Senior User Support Officer (Mngr).

**Date of Follow-Up:** 26 November 2004

### ***Overall Opinion on Follow Up:***

The original audit found the Authority's payroll system operating effectively and compliant with Inland Revenue and Department for Works and Pensions regulations as well as both the Data Protection and Freedom of Information Acts.

Only three agreed actions resulted all of which have now been fully implemented.

The contract for the current payroll system, Delphi Millennium, expires in March 2006 and work has started on seeking a replacement. Both Financial Services and Personnel Services are seeking improvements through the new system as detailed in the concurrent post audit review report '02/0476 - Payroll - Wages'.

**Summary Results of Follow Up:**






Implementation Status	No of Actions
Agreed action has been fully implemented	3

**Implementation of Agreed Actions - Detail**

*Ref*

**Agreed action has been fully implemented:**

- 
The payroll system will be included in the forthcoming disaster recovery testing being performed by Information Services.
[003355](#)
  
- 
Payroll parameters will be independently verified by the Exchequer Services Officer following all national and local agreements.
[003340](#)
  
- 
Action will be taken to encourage officer starter and leaver forms to be submitted by e-mail wherever possible, the forms being already available through the Council's intranet. Senders will be encouraged to request read receipts and file copies appropriately and the Payroll/Personnel Officer will maintain files as at present.
[003341](#)



*Derek Whiteway*

Derek Whiteway CPFA, Internal Audit Manager

Distribution: Corporate Director Central Services  
Head of Financial Services  
Head of Personnel Services  
Head of Information Services  
Accountancy Services Manager  
Members of Audit Committee  
Audit Manager (District Audit)

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## **Internal Audit - Follow Up Summary Report**

**Job: 03/0506 - Sea and River Defences**

**Date of Final Report:** 22 April 2004

**Agreed By:** Head of Engineering Services and Principal Engineer

**Date of Follow-Up:** 30 November 2004

### **Overall Opinion on Follow Up:**

The original audit found sustainable policies and strategies in place for sea and river defences, and related controls generally working effectively with only five agreed actions arising. Progress has been made on implementation of all but one of these.

The Service produces large volumes of data linked to producing high level targets published by the government for the delivery of policy aims and objectives in respect of flood and coastal defence. The Service is reviewing the data it produces in consultation with the Shoreline Management Partnership and is currently migrating information to the GIS.

The Service is participating in the development of the National Flood and Coastal Defence Database which provides a single, easily accessible and definitive store for data allowing better informed decisions on flood and coastal erosion management and enabling compliance with the high level targets. The database also provides progress reporting and evidence that the policy is being delivered.

Risk management is improving through active participation in the North West Coastal Protection Group which has produced a performance framework approved by the Environment Agency. Measuring Authority performance against the new matrix, rather than current local performance indicators on the number of properties at risk, will provide more detailed and meaningful information regarding proactive flood management. The Service is also working with ROSPA on risk elements with a view to prioritising spending on sea and river defences based on levels of risk.

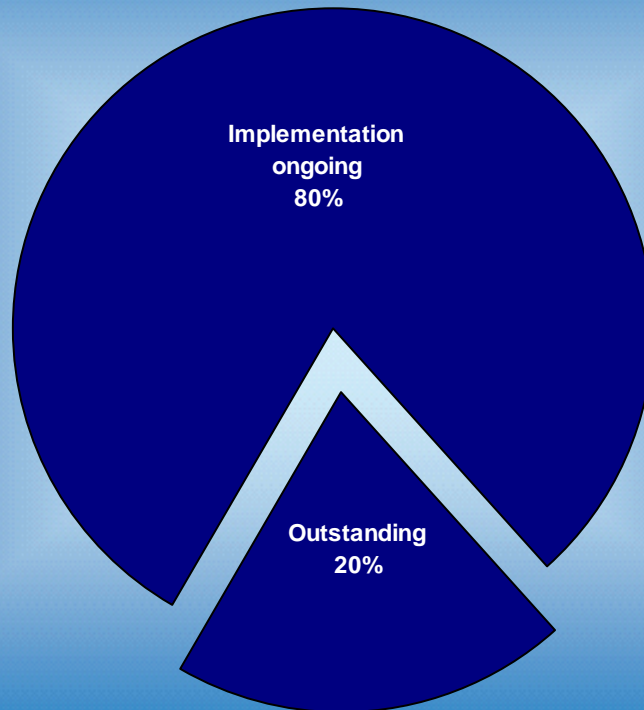
Whilst the Service recognises scope to develop the website to better promote work the Council does to protect the public, limited resources and other priorities have prevented implementation of the related agreed action to date. Proposals to publicise the new risk matrix may enhance public confidence and taking advantage of any opportunities to link to the Council's website should help keep the public better informed.

Whilst the Lancaster District Emergency Plan has been reviewed since the audit there is still a recognised need for further information to be added in respect of flooding. The Senior Engineer is working on a new flood strategy/package which will enhance emergency planning arrangements.

Job: 03/0506 - Sea and River Defences

Summary Results of Follow Up:

### Progress with Implementation of Agreed Actions



Implementation Status	No of Actions
Agreed action is in the process of being implemented	4
Agreed action is still to be implemented	1

**Job: 03/0506 - Sea and River Defences****Implementation of Agreed Actions - Detail****Ref****Agreed action is in the process of being implemented:**

Inextricably linked to recommendation 004749. The Service will look at its inspection regime and records, and link these to records of repair. The process will inform the Council's Risk Register.

[004758](#)

The Service is working towards implementing this recommendation. It will be part of the system to collect data towards reporting the achievement of the Council's high level targets. Inspection records will be clearly linked to remedial action taken, his process will inform the Council's risk register.

[004749](#)

The Principal Engineer is chair of the North West Coastal Protection Group, they are currently reviewing risks to the public on the Wyre, Barrow and Morecambe Coastlines. On a more local front, operation Neptune will be superseded by the Council's new Emergency Plan which is currently being written by Administration Services. Operational aspects of emergency procedures are difficult to test and assess, however there are concerns that some of the current arrangements are informal and ad hoc, and will not cope with a sustained flood emergency i.e. if the episode were to last for any considerable time. Engineers will consider reviewing their responsibilities under the new Emergency Plan, but a full review would require significant cross-departmental co-operation. The need to test the operational effectiveness of the plan is accepted.

[004748](#)

The Service has started to review the large volumes of data it produces, with its consultant 'Shoreline Management Partnership'. This information is linked to producing the service's High Level Targets. The service will examine various ways of illustrating this data (also see 004763).

[004746](#)**Agreed action is still to be implemented:**

There is a recognised need to improve the content and impact of the Council's website regarding sea and river defences. Staff have received basic training on the content management system but now need to move forward on this. An assessment will be made as to the best approach, using Council time and facilities or outsourcing the work.

[004763](#)

**Job: 03/0506 - Sea and River Defences**

*Derek Whiteway*

Derek Whiteway CPFA, Internal Audit Manager

Distribution: Corporate Director (Community Services)  
Head of Engineering Services  
Principal Engineer  
Head of Financial Services  
Members of Audit Committee  
Audit Manager (District Audit)

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## **Internal Audit - Follow Up Summary Report**

**Job: 03/0507 - Tourism - Promotions**

**Date of Final Report:** 10 November 2003

**Agreed By:** Head of Economic Development and Tourism Service

**Date of Follow-Up:** 17 September 2004

### **Overall Opinion on Follow Up:**

A follow-up review has been carried out to determine progress made in implementing actions agreed in the audit completed in November 2003. All of the actions have been considered and are either fully, partially, or in the process of being implemented, with one action being revised.

The 'Visit Lancaster' and 'Visit Morecambe' web sites have now been developed and are proving to be very successful. The Service has set a challenging target of a year on year increase in website hits of 10% and is continually reviewing ways in which the sites can be further improved. In partnership with local accommodation providers, a range of activity breaks/package holidays have been developed and promoted in line with corporate plan objectives. Arrangements are in place for regular contact with the Cabinet Member responsible for Tourism and other Cabinet members, although there are still some concerns about the effectiveness of communication with members and senior management on tourism related issues that need to be addressed.

Some improvements have been made to directional signage in Lancaster around the area of the Castle although funding to improve signage to the Tourist Information Centre in Morecambe has yet to be identified. To meet the requirements of the Disability Discrimination Act funding has been approved for alterations to the Tourism Information Centres to provide accessibility for disabled customers, but funding has yet to be identified to improve security and storage arrangements and address unsuitable workstations.

Improved arrangements have been introduced for effective co-ordination with the Authority's other cultural providers and liaison meetings now take place, although there remains a need to review and develop the arrangements for advance planning of festivals and events for inclusion in tourism literature.

The Tourism Strategy is currently being revised and a first draft is expected by the end of August for consultation with the public and other stakeholders with a view to the strategy being finalised by December 2004.

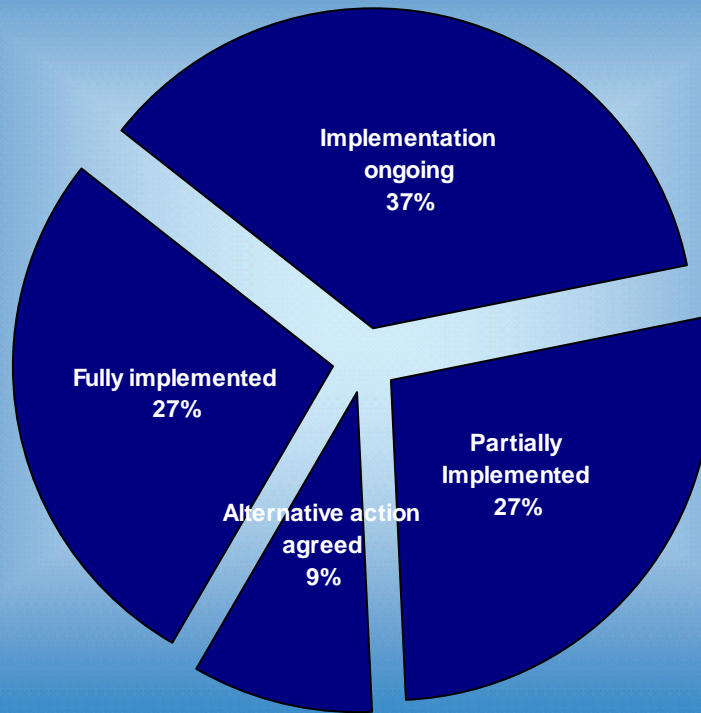
Data is currently being input to the destination management system so that the effectiveness of individual promotional campaigns can be measured, and the existing system is to be assessed against another system that the Service has been asked to pilot with a view to establishing which best meets the Services needs. To assist in setting priorities and planning future service delivery, bi-annual destination benchmarking surveys have been commissioned for both Lancaster and Morecambe.

It has been decided that the percentage level of accommodation providers participating in the national grading scheme will not be advertised in promotional literature, although positive steps have been taken to encourage those not yet signed up to the scheme to do so.

Job: 03/0507 - Tourism - Promotions

Summary Results of Follow Up:

### Progress with Implementation of Agreed Actions



Implementation Status	No of Actions
Agreed action has been fully implemented	3
Agreed action is in the process of being implemented	4
Agreed action has been partially implemented	3
Agreed action has been reviewed and revised	1

**Job: 03/0507 - Tourism - Promotions****Implementation of Agreed Actions - Detail****Ref****Agreed action has been fully implemented:**

The Tourist Information Centre websites will continue to be developed with the assistance of the Council's e-government officer.

[004934](#)

In line with the recent Audit Commission review of the Council's democratic renewal arrangements the portfolio and accountability arrangements of the Cabinet Member with responsibility for Tourism and other Cultural Services will be clarified.

[004954](#)

Through continued liaison with the Council's partners and other stakeholders, action will be taken to further develop and promote package holidays in the district.

[004929](#)**Agreed action is in the process of being implemented:**

The Service will continue to monitor and develop the effectiveness of the Integra destination management and booking system.

[004945](#)

A review of the effectiveness of income generating schemes will be undertaken and outcomes incorporated into the TIC business plans.

[004907](#)

A revised Tourism Strategy will be developed in consultation with local residents and stakeholders which will include the Authority's corporate aims and objectives, and those of national/regional polices also due to be revised within the next few months. The Strategy will be flexible enough to deal with changing needs and priorities and be subject regular review.

[004935](#)

A review of the current research and data collection and monitoring arrangements will be carried out with a view to determining priorities and capacity to deliver outcomes.

[004905](#)



**Job: 03/0507 - Tourism - Promotions**

**Agreed action has been partially implemented:**



In the short term consideration will be given to funding being sought from the Lancashire Tourism Partnership to address issues relating to compliance with the Disability Discrimination Act as well as the general health and safety of staff and the security of the Tourist Information Centres. These decisions will take account of the Councils overall long term strategy for the future of the Tourist Information Centres.

[004944](#)



Additional funding will be sought to address the issues arising from the commissioned report on the adequacy of directional signage to both Lancaster and Morecambe Tourist Information Centres.

[004941](#)



Arrangements for effective coordination between the Authority's cultural service providers will be developed and formalised.

[004917](#)

**Agreed action has been reviewed and revised:**



Promotional literature will advertise the high level of participation in the national grading scheme by the district's accommodation providers.

[004930](#)

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*Derek Whiteway*

Derek Whiteway CPFA, Internal Audit Manager

Distribution: Corporate Director (Regeneration)  
Head of Economic Development and Tourism  
Principal Tourism Officer  
Head of Financial Services  
Members of Audit Committee  
Audit Manager (District Audit)

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## ***Internal Audit - Follow Up Summary Report***

**Job: 03/0518 - Housing Benefits & Council Tax Benefits 2003/04**

**Date of Final Report:** 05 January 2004

**Agreed By:** Benefits and Customer Services Manager

**Date of Follow-Up:** 14 October 2004

### ***Overall Opinion on Follow Up:***

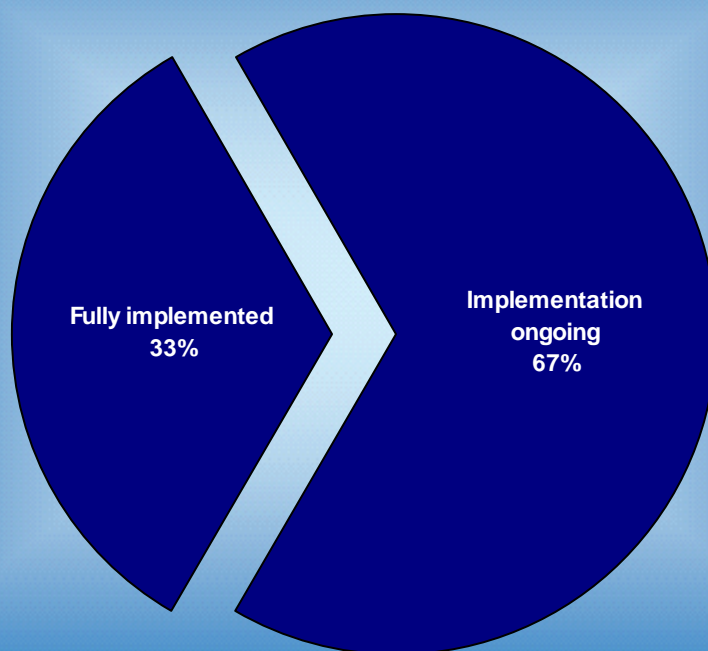
Positive action has been taken towards implementing the agreed actions resulting from the original review further demonstrating the Service's commitment to continuous improvement.

An additional member of staff for the Overpayments and Control Section has seen an improvement in the time taken to bring civil proceedings and it is hoped the trend continues though much is dependent on the number of invoices raised in the first place.

Several problems have been identified which hinder monthly reconciliations between the Academy and main accounting systems. Work currently being carried out on the feeder should help ease the situation though there are doubts as to whether other problems identified will ever be fully resolved. However Financial Services will continue to work with Information Services and Revenue Services to achieve the best possible solution.

Summary Results of Follow Up:

Progress with Implementation of Agreed Actions



Implementation Status	No of Actions
Agreed action has been fully implemented	1
Agreed action is in the process of being implemented	2

**Job: 03/0518 - Housing Benefits & Council Tax Benefits 2003/04****Implementation of Agreed Actions - Detail****Ref****Agreed action has been fully implemented:**

A recommendation to independently check manual calculations has been implemented during the course of this review, all manual calculations now being verified by the Team Leader or Principal Benefits Officer who sign the calculation sheet.

[005124](#)**Agreed action is in the process of being implemented:**

Once the full staffing structure is in place consideration will be given to improving the length of time taken between the decision to take, and preparations for, civil proceedings.

[005273](#)

Revenue and Financial Services will continue to work towards monthly reconciliations of the Academy and main accounting systems through regular meetings, monthly SQL reports and all information transferred via automated feeders.

[006268](#)

Derek Whiteway CPFA, Internal Audit Manager

Distribution: Corporate Director (Central Services)  
 Chief Revenues Officer  
 Benefits and Customer Services Manager  
 Head of Financial Services  
 Members of the Audit Committee  
 Audit Manager (Audit Commission)