

Public sector

National report

October 2005

 **audit**
commission

Governing partnerships

Bridging the accountability gap

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Summary	2
Recommendations	5
Introduction	7
The partnership landscape	13
Partnerships and value for money – the costs and benefits	24
Governing partnerships for better accountability	32
Public accountability in partnerships	53
Improving the governance of partnerships	60
Appendix 1 – Participating organisations	70
Appendix 2 – What can go wrong in governing partnerships?	72
Appendix 3 – References	75

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Summary

Key findings

Local partnerships are essential to deliver improvements in people's quality of life, but:

- They bring risks as well as opportunities, and governance can be problematic.
- They may not deliver good value for public money, so local public bodies should ask searching questions about those they are engaged in.
- Clear accountability is needed between partners to produce better accountability to the public, including redress when things go wrong.

- 1 Partnerships are a significant feature of public service delivery. At the last count, around 5,500 partnerships existed in the UK, accounting for some £4 billion of public expenditure.
- 2 Partnerships can bring significant benefits. They are a response to the complex and multi-faceted problems that face society, and that cannot be tackled effectively by any individual body working alone. They can provide flexibility, innovation and additional financial and human capital resources to help solve problems. These are powerful incentives for organisations to work with others and now all local public bodies work in partnerships to different degrees. The distinction between statutory and voluntary partnerships has, in effect, become blurred.
- 3 But partnerships also bring risks. Working across organisational boundaries brings complexity and ambiguity that can generate confusion and weaken accountability. The principle of accountability for public money applies as much to partnerships as to corporate bodies. The public needs assurance that public money is spent wisely in partnerships and it should be confident that its quality of life will improve as a result of this form of working.
- 4 Local public bodies should be much more constructively critical about this form of working: it may not be the best solution in every case. They need to be clear about what they are trying to achieve and how they will achieve it by working in partnership. This clarity will come when public bodies ask themselves two broad questions about their partnerships.

- 5 **How do partnerships add value?** Evidence that partnership working brings real benefits exists, but it is mainly qualitative and local. Partnership working takes up a lot of time and other resources. It can therefore extract value as well as add to it, but remarkably there is very little hard information about its impact. Not all organisations even know how many partnerships they are involved in.
- 6 **Who is in charge of partnerships?** The Audit Commission's work in reviewing partnerships shows much commitment to this form of working at a local level, but also that things can easily go wrong. A third of those working in partnerships experience problems, according to auditors. These problems arise when governance and accountability are weak: leadership, decision-making, scrutiny and systems and processes such as risk management are all under-developed in partnerships.
- 7 The assessment of risks and benefits in partnerships is most finely balanced when service planning, commissioning and delivery between separately constituted bodies become more integrated. Pooled budgets, for example, have great potential to bring clarity of purpose to partnership working; to enhance the resources brought to bear on problems and to deliver better services to users. But integration without clear protocols and agreements can reduce accountability and increase risks. The Commission supports the development of local area agreements (LAAs), which should help to clarify relationships and manage risks in more integrated arrangements, and pooled budgets in particular.
- 8 There is no one size fits all model of governing partnerships: governance arrangements should be proportionate to the risks involved. Partners must strike the right balance between the need to protect the public pound and ensure value for money, and the innovation and flexibility that can exist when organisations collaborate. The governance of partnerships should promote good internal accountability between partners and better external accountability to service users. Shared responsibility should not mean diminished accountability.
- 9 Not enough public bodies have comprehensive agreements in place for their significant partnerships. Such agreements are the basis for better governance and management of risks. For example, evidence shows that primary care trusts (PCTs) without a comprehensive partnership agreement are twice as likely to encounter problems as those that have one.

- 10 We fully support effective partnership working by local public bodies and this report contains many examples of good practice. It does, however, raise some important questions. Inevitably, not all partnerships work smoothly. Strong corporate governance is needed to support partnerships effectively, and to create a clear and shared focus on users and on value for money.
- 11 This report defines a partnership broadly as ‘an agreement between two or more independent bodies to work collectively to achieve an objective’. It does not address all forms of partnership: procurement partnerships or partnerships of registered social landlords, for example. But it outlines the principles of good partnership governance and how they can help local public bodies to deal with the growing challenges. It contains a checklist of key questions to help those engaged in partnerships to assess how well they are equipped to meet these challenges. These principles apply to all forms of partnership working.
- 12 We will contribute to improvement in partnership working and governance. As well as carrying out this study, we will work with others to share good practice and collect robust information on the value and impact of different forms of partnership through our local audits, inspections and other studies. Our continuing work on Area Profiles and quality of life indicators will strengthen the assessment of the value of partnerships.
- 13 Others must also contribute. Central government must become clearer about the role of local partnerships: how individual local partnerships relate to each other, and the scope for local discretion over priority setting. This will help to ensure that local partnerships become more effective. It must assess the capacity of the local public sector and its partners to deliver all the improvements required through partnership working and take steps to improve it where necessary.

Recommendations

14 Public bodies should:

- a) Know the partnerships they are involved in, and how much money and other resources they invest in them. They should review each partnership, using the checklist in Chapter 1, to strengthen accountability, manage risks and rationalise working arrangements.
- b) Establish clear criteria against which partnerships can be evaluated to determine that they help to achieve partners' corporate objectives cost-effectively (Chapter 2).
- c) Take hard decisions to scale down their involvement in partnerships if the costs outweigh the benefits, or if the added risks cannot be managed properly (Chapter 2).
- d) Agree and regularly review protocols and governing documents with all partners (Chapter 5).
- e) Tell service users and the wider public about how key partnerships work, where responsibility and accountability lie and how redress can be obtained through joint complaints procedures (Chapter 4).

15 Regulators should:

- a) Collaborate to ensure that they share audit and inspection information about how local public bodies work in partnership (Chapter 5).
- b) Agree on joint programmes of work where appropriate to tackle weaknesses and reduce the regulatory burden on organisations working in partnerships (Chapter 5).
- c) Make their findings available to the public and to service users (Chapter 5).

16 Central government should:

- a) Within the context of local area agreements, make the rationalisation of partnerships easier by clarifying lines of accountability between partners and partnerships, with fewer, more outcome-focused targets that measure cross-cutting achievements (Chapter 5).
- b) Ensure that the growth of regional and sub-regional partnership working does not add unnecessary complexity for bodies already in local partnerships (Chapter 5).

- c) Consider how the remits of different ombudsmen can be aligned to provide more effective investigation of complaints from the public arising from partnership working (Chapter 4).
- d) Improve the integration of financial accounting frameworks and regulations to enable organisations working in partnership to report on joint expenditure and financial activity. This will allow public bodies and their partners to align strategic and operational activity and will be essential for the development of effective performance management systems and processes. It will also provide a better basis for assessing value for money (Chapter 2).

Introduction

- 17 Public sector organisations in the UK are involved in approximately 5,500 different partnerships (**Ref. 1**). The total amount that these partnerships spend or manage is just under £4 billion. This report sets out the key governance principles that should guide public bodies and other organisations as they work in partnerships, in order to benefit service users and the wider community.
- 18 The term partnership can encompass a wide range of collaborative arrangements. We define partnership as an agreement between two or more independent bodies to work collectively to achieve an objective.
- 19 The current growth in various kinds of partnership working presents organisations with governance and accountability challenges, as partners and as corporate bodies. We define corporate governance as: the framework of accountability to users, stakeholders and the wider community, within which organisations take decisions, and lead and control their functions, to achieve their objectives (**Ref. 2**).
- 20 We support joint working to improve service delivery and the quality of people's lives. We are not certain in all cases whether or how partnerships add value. Partnerships may bring risks as well as benefits, because some public bodies or their partners are unable to govern successfully the increasing complexity of collaborative working arrangements.

Why the Audit Commission is looking at this now

- 21 New government policies and legislation frequently involve partnership working. The major policy initiatives within the seven shared priorities for local government (**Ref. 3**) all depend for their success on effective joint working at a local level. There is a growing policy focus on area governance at regional, sub-regional and the neighbourhood level; this may involve local authorities and a variety of partners at each level.
- 22 The government has introduced a number of initiatives to improve the governance of partnerships locally. For example, the development of local area agreements (LAAs) should help to improve horizontal accountability, align budgetary and other processes and streamline decisions on service planning and delivery.

- 23 These initiatives promote greater integration in the way that public organisations plan, commission and increasingly deliver public services through partnerships. It is therefore timely for the Commission to revisit this important topic, and to draw on its experience and learning to identify good practice. This will be important in helping public bodies and policymakers to solve common problems and, in particular, to help them address two important questions that so far have proved surprisingly difficult to answer:
- a) **How do partnerships add value?**
There are frequent claims that partnerships contribute to improving the quality of local public services and to residents' quality of life. However, there are few indicators of partnership performance to show whether this is the case and, if so, to what extent. There is little information to show whether the added value that partnerships produce outweighs their operating costs.
 - b) **Who is in charge of partnerships?**
Governance arrangements for partnerships are much less prescriptive than those for corporate bodies in the public sector. As a result, different governance arrangements have evolved for different forms of partnership; there is no consensus on the best way of governing partnerships.
- 24 This report excludes consideration of public private partnerships (PPP), procurement partnerships (strategic partnering through long-term contracts) and the private finance initiative (PFI). We intend to conduct a separate study on the specific issues arising from these collaborations for public bodies.

Who is this report for?

- 25 We have produced this report for everyone who is responsible for the governance of organisations that plan, commission and deliver local public services through partnerships. Our report is relevant to all public sector chief executives and executive directors, executive and non-executive elected members, non-executive directors and community representatives. Middle and senior managers who are responsible for the operational delivery of services within partnerships, and who sometimes struggle to cope with the complexity of managing relationships in partnerships, will also find this report of interest.
- 26 The report also contains messages for central government policymakers; and for all regulators as they seek to bridge the regulatory gap in partnership working.

How will this report help them?

27 The report is primarily intended to be of practical help to those involved in partnerships. Its starting point is the checklist of questions below that all public bodies should ask themselves about their partnerships. The relevant sections of the report are referenced against the content of the report in these chapters:

- Chapter 1:** The partnership landscape – the rationale for governing partnerships
- Chapter 2:** Value for money in partnerships – understanding the relationship between the costs and benefits of partnership working
- Chapter 3:** Governing partnerships for better internal accountability between partners
- Chapter 4:** Governing partnerships for better external accountability to the public
- Chapter 5:** Improving the governance of partnerships
- Appendix 1:** List of participating organisations
- Appendix 2:** What can go wrong in partnership governance?
- Appendix 3:** References

Questions for public bodies about their internal arrangements for partnership working

- 1 What policies do you have about getting involved in partnerships? And about disengaging from partnerships?
- 2 How do you assess the costs and benefits of engaging in different forms of partnership working against other ways of achieving the same ends (for example, formal contracts or bilateral arrangements)?
- 3 How do you decide when simple collaboration or liaison should become a formal partnership?
- 4 How do your partnerships differ in size, scope and impact?
- 5 Which formal partnerships are you involved in? Who takes responsibility for them?
- 6 How do you monitor and mitigate the risks associated with working across a wide variety of partnerships? Is your monitoring proportionate, as well as effective?

- 7 How do you know that your own organisational governance arrangements are adequate both to support and to manage the risks of working in partnerships?

Questions about specific partnerships for public bodies to consider both individually and collectively with their partners

- 1 Rationale for the partnership (paragraphs 43-47 in Chapter 1 and paragraphs 136-143 in Chapter 5):
 - a Why does this partnership exist?
 - b What are its agreed aims?
 - c Where have they been published?
 - d Can you identify a better way of serving the public?
- 2 Added value from the partnership:
 - a How does this partnership add value?
(Paragraphs 67-71 in Chapter 2.)
 - b How do you demonstrate this added value to the public?
(Table 1 in Chapter 3.)
 - c How do you know whether funds are being well spent?
(Case study 2 in Chapter 2 and paragraphs 101-104 in Chapter 3.)
 - d How does the public know that partnership funds are being well spent? (Table 1 in Chapter 3.)
- 3 Governance arrangements:
 - a How do your partnership's corporate governance arrangements link to those of individual partners?
(Paragraphs 72-74 and Table 1 in Chapter 3, and paragraphs 140-143 in Chapter 5.)
 - b How are decisions made?
 - c How are they recorded?
 - d Who makes sure that they are acted on?
 - e Who scrutinises them?

- f To whom are they reported?
(Paragraphs 75-79 and Case study 4 in Chapter 3.)
- 4 Performance management
(Paragraphs 94-100, and Case study 7 in Chapter 3):
 - a How do you know which partnership targets you are meeting and which you are failing to meet?
 - b Who manages and reports progress?
- 5 Financial management
(Chapter 3):
 - a Who provides the money?
 - b Who decides how to spend it?
 - c Can the money be reallocated?
 - d What are the financial reporting arrangements?
- 6 Risk management:
 - a How do you know when things are going wrong?
 - b Who can take action when things are going wrong?
(Chapter 1, Chapter 3 and Chapter 5.)
 - c How do you resolve conflicts of interest?
(Paragraph 80 in Chapter 3)
- 7 Termination arrangements
(Paragraphs 136-139 in Chapter 5):
 - a What are the arrangements if this partnership comes to an end?
 - b Or if you decide no longer to be involved?
 - c How will resources be reallocated back to partners?
- 8 Serving the public
(Table 1 in Chapter 3 and paragraphs 127-132 in Chapter 4):
 - a How effectively does this partnership communicate with the public?
 - b How can the public and service users obtain redress when things go wrong?
 - c Is there a complaints and suggestions process the public can use?

Research for this study

28 Our report draws on three principal sources of data:

- Forty-three audit reports on various aspects of partnership working, from 2001–04. Many of these reports addressed the practice in local authorities as they set up and developed partnerships.
- Forty-one interviews and 17 focus group discussions with public and voluntary sector representatives working in different partnerships in 47 locations (Appendix 1). The focus of the fieldwork was on how local public bodies addressed cross-cutting issues such as strategic development and regeneration, health and social care and crime through partnerships.
- The annual Auditor Survey for 2003/04 – data on the 388 local authorities; 303 PCTs; 271 acute and mental health trusts; 28 strategic health authorities (SHAs); 69 police and fire authorities and 38 probation services, for which the Audit Commission is responsible.

29 Mark Wardman and Irene Vaughan from the Audit Commission undertook the research for this study. Angela Watson Associates carried out additional analysis of the Commission's reports into partnerships. The Commission wishes to thank the members of local authorities, PCTs, police forces, fire services and the voluntary sector representatives who participated in the fieldwork.

1

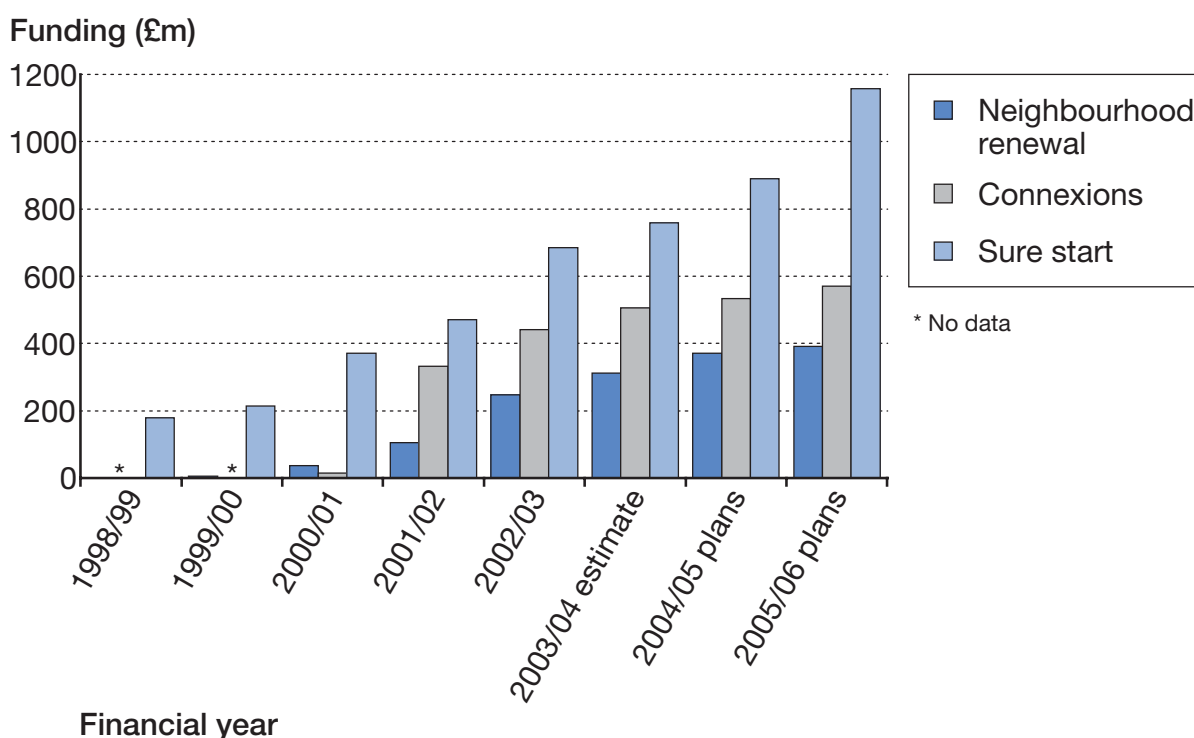
The partnership landscape

Why do local public bodies work in partnerships?

- 30 Both national and local stimuli account for the growth in partnership working. Nationally, the policy impetus for partnerships comes from:
- the perceived failure of separately defined and run services to meet adequately the expectations of users and of the public; especially those of vulnerable groups, such as children, older people and those with mental health problems;
 - the need to base planning and provision on holistic themes affecting whole communities, such as community safety; the physical and economic environment and health; and
 - the desire to enhance community engagement and civic renewal, especially through local authorities' community leadership role.
- 31 Partnerships often attract additional resources and this has been, and continues to be, a strong incentive for collaborative working. Direct funding to partnerships includes the European Social Fund; Single Regeneration Budget; employment, education and health Action Zone funding and Invest to Save budgets. The Efficiency Review (**Ref. 4**) has helped to renew interest in strategic procurement, shared service delivery partnerships and shared service organisations. Legislative changes, notably Section 2 of the Local Government Act 2000 and Section 31 of the Health Act 1999, have enabled public bodies to work together to pool resources or purchasing power to increase efficiency and effectiveness. In recent years, the three major partnership areas have grown (**Figure 1**).

Figure 1
Growth in partnership funding

Partnerships often attract additional resources and this has been, and continues to be, a strong incentive for collaborative working.



32 Locally, many public bodies believe strongly in the power of partnerships to deliver better outcomes for service users. Partnership working can help to focus service planning, commissioning and delivery on user needs; and this greater engagement with users will help to raise service quality. People want to work in partnerships where this can bring in more resources to address local needs in areas such as housing, health, environment, education, social care and crime and disorder.

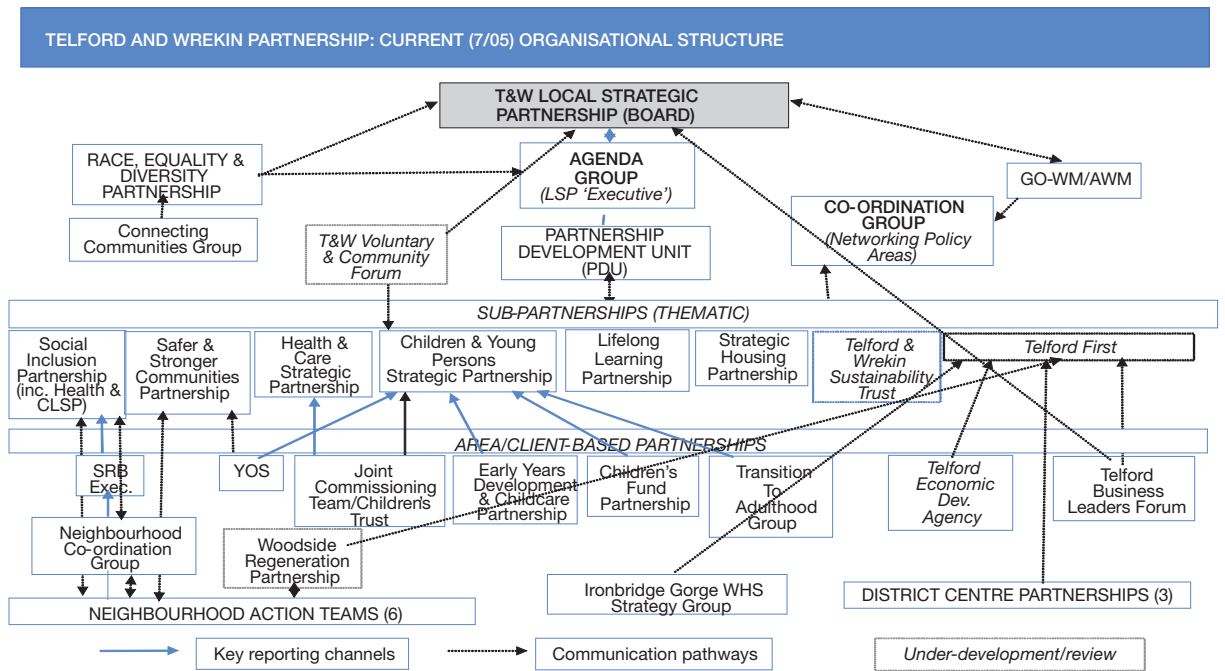
What kinds of partnership?

33 Partnerships vary in size, service area, membership and function. They include voluntary and statutory partnerships; executive and non-executive partnerships; strategic service delivery partnerships; and strategic partnering for private sector procurement, including PFI, PPP and joint ventures, such as NHS local improvement finance trusts (LIFT).

- 34 Some partnerships are strategic, others are operational in focus; some partnerships attract dedicated funding, others do not. Some are limited companies; others are charitable trusts and still more are unincorporated associations. We can also categorise partnerships by their region or locality, their function, their governance arrangements or their membership. The governance arrangements for different forms of partnership working are determined by their legal form. We have published more on this on the Improvement Network website at:
<http://www.improvementnetwork.gov.uk/imp/core/page.do?pagelId=10310>.
- 35 The 2000 Local Government Act sets out a coordinating role for the local strategic partnership (LSP) in preparing the local community strategy. LSPs play a key role in modern area-based partnerships and in effect are increasingly the umbrella under which all other partnerships operate. Almost all local authority areas have established an LSP; the exceptions being some county councils which have taken a collective decision to support the district council LSPs instead.
- 36 The local partnership landscape is getting more complex, as seen in Figure 2. This diagram does not represent a typical LSP, which vary considerably in structure and membership. However, it does illustrate the common complexity of nested partnerships within an LSP. It is not the total picture; some operational partnerships exist outside the LSP umbrella and have done for some time.
- 37 Is it possible to manage all these collaborations successfully to produce benefits that public bodies could not achieve by other means? The Office of the Deputy Prime Minister (ODPM) recently published evidence to show that some progress has been made, but also that there is still some way to go **(Ref. 5)**. The Commission's own evidence from its work with LSPs in Neighbourhood Renewal Fund (NRF) areas is that:
- ‘A common issue for many LSPs has been the lack of any clear and effective relationship between LSP boards and thematic partnerships, including the development of processes for reporting performance information to Boards.’
(Ref. 6)
- 38 To date, most partnerships have paid a lot of attention to establishing good working relationships and this is important in making partnerships work well. But the complexity illustrated in Figure 2 shows that concern with process is not enough; public bodies need to give more thought to the risks that partnership working brings and the consequences of failure.

Figure 2
Telford and Wrekin Partnership

The local partnership landscape is getting more complex.



Source: Telford and Wrekin Council, 2005

Do public bodies need to govern their partnerships?

- 39 The many forms of partnership give rise to different legal and governance structures. Legislation stipulates the governing forms for some partnerships: the Charity Commission approves the trust deeds of registered charities and companies limited by guarantee have their memoranda and articles of association. The majority of partnerships – including LSPs – are unincorporated associations; they often adopt a constitution and a memorandum of understanding or terms of reference as a governing document.
- 40 Some practitioners argue that partnerships should not be excessively governed, to do so would jeopardise their principal aim of creating an environment in which innovation can flourish. The more governance controls tie them down, so the argument goes, the more

this innovation will suffer; partnerships should be allowed to take risks without the undue burdens that the checks and balances of governance bring. On the face of it, the argument is attractive, but it may not serve the public interest well.

- 41 Disputes arise and partnerships break down for various reasons. When this happens, there must be clear protocols for managing conflict. Without them, there cannot be sound internal accountability between partners and it may not be possible for the public to get redress for complaints. Chapters 3 and 5 discuss these issues in more detail.
- 42 Each partner organisation has its own governance and accountability structure, codes of conduct and risk management arrangements. The varying objectives, legal forms and membership found in partnerships makes it impossible to apply a one-size-fits-all model of partnership governance. In 2004, INLOGOV concluded that: ‘governance systems should be proportional to the responsibilities and risks of the partnership’ (**Ref. 7**). The ODPM recently reached similar conclusions following its action-learning research on LSP governance (**Ref. 8**). We agree with these views, but believe strongly that partners must reach agreement on how they will govern their collaboration. It is vital that there is clarity among partners about purpose, membership, roles and responsibilities, among other things. This agreement should be set out in formal agreements.

The importance of partnership agreements

- 43 In an earlier report (**Ref. 9**), we expressed concern about the risks that stem from inadequate protocols governing partnerships:

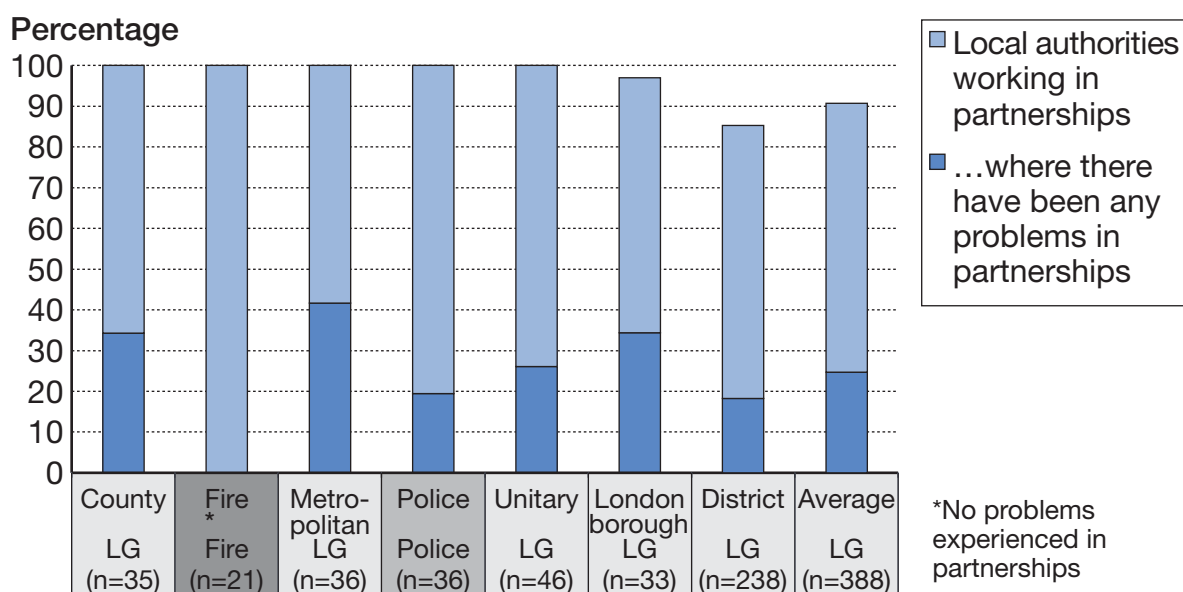
‘...the absence of formal partnership arrangements both inhibits the achievement of the partnership’s objectives and increases the potential for a breakdown in governance arrangements and controls.’

That report summarised the main findings of our auditors’ work on the accounts of local authorities, NHS bodies and probation boards. We found that a substantial minority of public bodies have experienced problems with partnerships (**Figure 3**).

Figure 3

Local authority partnership working to improve services

In 2003/04, almost all local authorities were working in partnership and a quarter experienced problems.



Sector

Base: All local authorities

Source: Audit Commission 2004

- 44 In the 94 authorities where we identified problems, around two in five (39 per cent) could be described broadly as facing risks relating to the absence of, or poor operation of, financial controls and governance processes in the council or one or more of its partners. Even where councils have partnership agreements, they do not always apply them uniformly to all their partnerships: only a quarter (27 per cent) of councils do so.

Box A

Common themes

The common themes that emerge from our reviews are neatly exemplified by the recommendations provided to one metropolitan district council. The audit report wanted the council to have:

- a shared understanding of the roles, responsibilities and accountabilities of each partner;
- a shared ownership of strategy;
- better financial management, with clear procedures for determining the financial liabilities of each partner;
- performance management arrangements between individual organisations and the partnership;
- more structured and comprehensive reporting on performance and finance; and
- evidence of the value for money of the partnership arrangements.

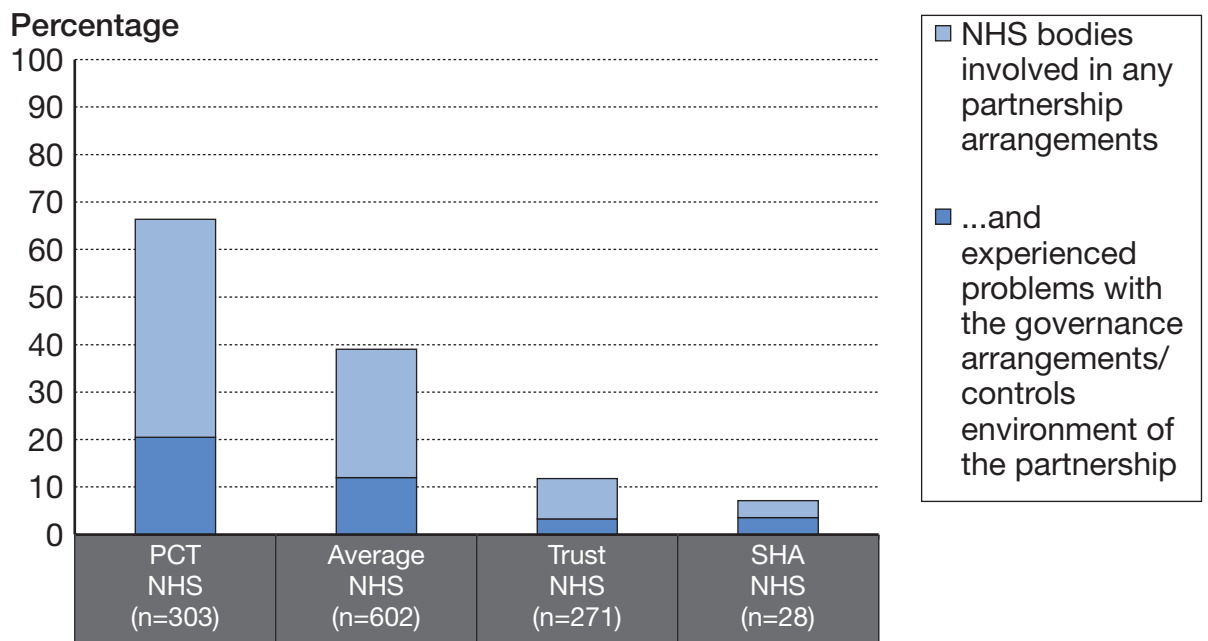
Source: Audit Commission

- 45 At the time these auditor returns were completed, a smaller proportion of NHS bodies were working in partnership¹. In 2003/04, around two in five (39 per cent) NHS bodies were involved in partnership arrangements using Health Act flexibilities. There was significant variation across the bodies: two-thirds (66 per cent) of PCTs were involved in partnerships, compared with only 12 per cent of NHS acute trusts. Two SHAs were also involved in flexible arrangements. About a third of the PCTs involved in partnerships had experienced problems (**Figure 4**).

¹ The term partnership in this context refers to joint arrangements for health and social care using the flexibilities provided under Section 31 of the 1999 Health Act. All PCTs are statutorily involved in crime and disorder reduction partnerships and most are involved in LSPs.

Figure 4
NHS organisations’ partnership working to improve services

NHS organisations also experienced problems with the governance arrangements in partnerships.



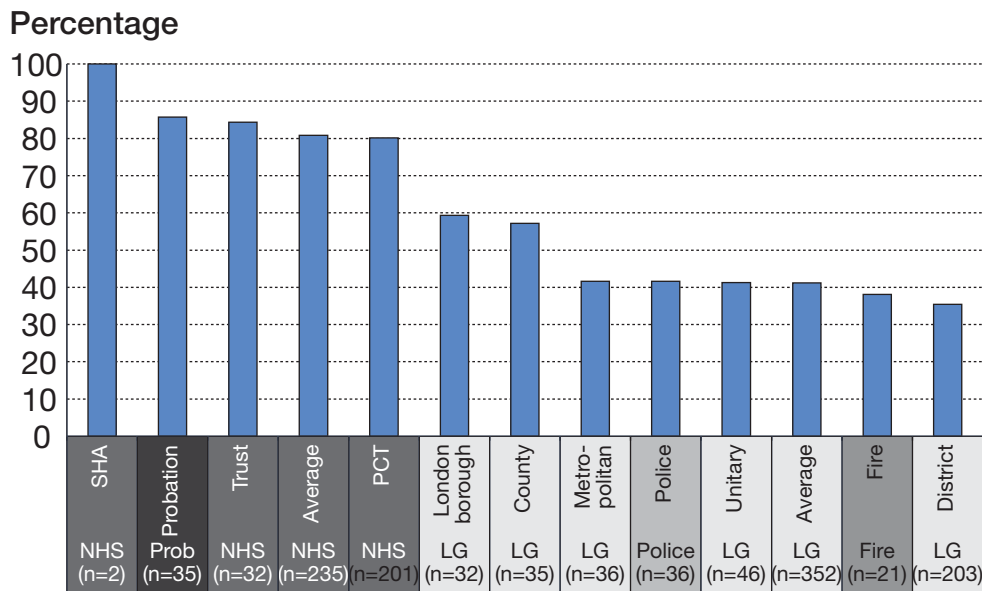
NHS body
 Base: All NHS organisations

Source: Audit Commission 2004

- 46 Despite the problems that public organisations can experience in partnership working, only two in five of all fire organisations (38 per cent), police authorities and councils (41 per cent each) involved in partnerships have partnership agreements (**Figure 5**). Because proportionately more NHS bodies enter partnerships using Health Act flexibilities, they are more likely to have these agreements, which set out the nature and scope of the partnership, the key risks and accountabilities. We return to this topic in Chapter 5.
- 47 An analysis of auditors’ returns shows that PCTs without an agreement are nearly twice as likely as those with one to have problems with their partnership governance arrangements (45 per cent compared with 27 per cent). For acute trusts, the difference is even more marked – those without an agreement are nearly three times as likely to

experience governance problems (60 per cent with no agreement, against 22 per cent with an agreement).

Figure 5
Public bodies working with comprehensive partnership agreements
 Proportionately more NHS organisations than local authorities have developed comprehensive partnership agreements.



Sector

Base: All local authorities, NHS bodies and probation boards

Source: Audit Commission 2004

What good governance means

- 48 The example in Appendix 2 illustrates the importance of corporate governance in supporting partnership working. It shows how the poor corporate governance of a partner can impact on the governance of a partnership and ultimately on the partnership's success.

- 49 Good governance should ensure the delivery of high-quality, cost-effective services, which enhance public trust in and satisfaction with public bodies. **(Ref. 10, Ref. 11)**. In corporate bodies, good governance depends upon an effective mix of hard and soft organisational characteristics. Taken together, these create the conditions for better decision making and effective internal accountability.
- 50 Hard characteristics include reliable financial data, performance data and risk assessments, which are generated by robust systems and processes and which produce timely and appropriate information for decision makers. The soft factors encompass leadership, which sets the overall objectives, the roles and responsibilities required to achieve them and cultural attributes like openness, honesty and integrity (the Cadbury **(Ref. 12)** principles). These factors create the right climate for non-executives and others to query, challenge and understand the basis on which decisions are reached.
- 51 Clear internal accountability provides the basis for effective external accountability to the public and service users. Organisations that get this right can be more confident of providing more innovative services to the public **(Case study 1)**.

Case study 1

Guildford Borough Council – a good partner

Partners speak highly about working with the Council. They consider staff to be professional and high quality and the Chief Executive's leadership style empowering. There are many good examples of partnership working focusing on important issues:

- the crime reduction and disorder partnership;
- a multi-agency approach to the delivery of children's play schemes, delivering high-quality programmes to over 900 children aged 4-16;
- draft Joint Municipal Waste Management Strategy with Surrey County Council and Surrey district councils;
- Surrey Scholar waste attitudes research project in partnership with University of Surrey;
- joint Waste Awareness Campaign in partnership with Waverley Borough Council;
- very sheltered housing in partnership with Surrey County Council;
- single assessment process for older people with the PCT and Surrey County Council;

- on-street parking management in partnership with Surrey County Council;
- Joint Committee on Grant Allocations with Surrey County Council and the PCT;
- delivering on the health agenda through walking for health, obesity and coronary heart disease programmes with the Guildford and Waverley PCT, Healthy Living Centre, Health Promotion Partnership, Age Concern Surrey and University of Surrey; and
- providing opportunities for young people to develop music skills, through the Live and Direct project with Surrey County Council and the County School, Guildford.

A range of partnerships with the private sector also exist, including:

- a catering franchise at Guildford Spectrum leisure complex, which had private investment of £250,000 in 2000, £45,000 in 2003 and improved customer service;
- housing repairs – the value of the framework agreements operated with local and regional suppliers is £6 million per annum; increasingly this focuses on improving service standards by using key performance indicators;
- a demonstration house in partnership with Tunstall Telecom shows how to support people in their home using assistive technology; and
- partnership with Aldershot Car Spares for free-of-charge, 24-hour removal of abandoned cars.

Source: Audit Commission

2

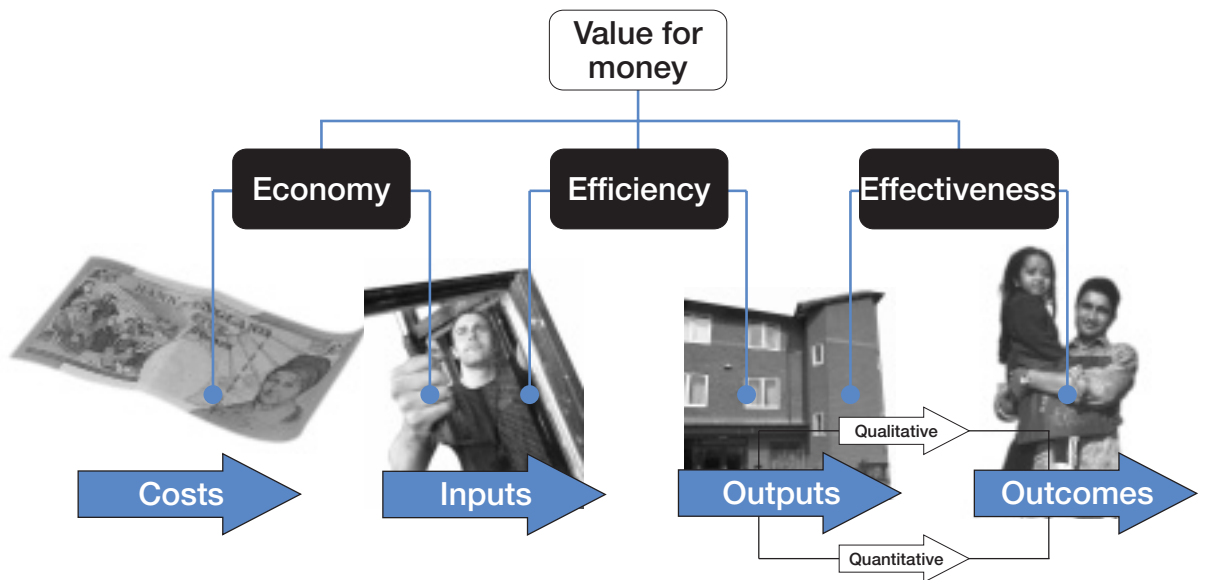
Partnerships and value for money – the costs and benefits

- 52 Value for money should be a key governance issue for partnerships. Increasingly, public bodies and regulators are focusing on value for money because of the Gershon Efficiency Review (Ref. 13).
- 53 The established definition of value for money is the relationship between economy, efficiency and effectiveness (Figure 6).

Figure 6

The value for money relationships

Value for money should be a key governance issue for partnerships.



Mapping and evaluating partnerships

- 54 Many organisations do not know the extent of their involvement in partnerships. Some organisations maintain a database of partnership activity or carry out a partnership audit

periodically. However, there is seldom an established means of identifying what resources they are committing to partnership working, or of evaluating the costs and benefits from working in a partnership. Few organisations we spoke to could tell us how many partnerships they were engaged in.

‘We stopped counting when we got to 150...’

LSP manager

- 55** In some areas, there has been a growth in partnerships, sub-groups and meetings, often with similar terms of reference and overlapping (but not identical) membership. This has become a drain on resources and has resulted in duplication and inconsistencies. Public bodies need to improve the coordination within and between different partnerships, in order to ensure that they understand which of the mainstream services provided by their partners already help to deliver their own objectives. This should allow them to see whether proposed new initiatives will add value or simply overlap.
- 56** Assessing value for money involves taking account of all available evidence in order to reach a judgement. Some partnerships may involve additional costs, because the processes of negotiation and discussion are time-consuming. Others may manage to eliminate duplication of effort and expenditure. Partnerships will achieve value for money if they can achieve equal or better outcomes for less expenditure. To comprehend this requires an understanding of costs and benefits.

What do partnerships cost?

- 57** Partnership working incurs costs. If partnerships spend too much time in meetings discussing process issues instead of focusing on achieving their objectives, the costs can outweigh the benefits. Partners should regularly review how they work to determine whether the outputs and outcomes merit continued involvement.
- 58** Almost none of the public bodies we talked to in the course of our research had tried to calculate the total cost incurred in working in partnership. Some find the prospect daunting:

‘We’ve never looked in detail at inputs, outputs and outcomes, and would find this damn scary, since it would clock up big numbers.’

Director of health, PCT

- 59 But there are also practical problems. It is very difficult for public bodies to assess accurately the costs of shared activity because:
- corporate accounting frameworks do not offer the facilities needed for public bodies to record the full costs of partnership activities – opportunity costs and staff costs, as well as direct expenditure;
 - although there are clear accounting streams for centrally funded partnership activity costs, many partnerships exist without dedicated external funding; and
 - there is no common accounting framework across public bodies (still less voluntary and private sector partners).
- 60 Partnership governance arrangements can nonetheless set out clearly how funding is accounted for. Even where the partnership does not spend money directly, it will need to influence how partner bodies spend and it must be able to judge the impact of this funding in helping to achieve shared objectives.

Sharing services

- 61 The need to improve value for money drives strategic procurement partnerships: shared service delivery partnerships, PFI and PPP. Some audited and inspected bodies have paid little attention to value for money in other forms of partnership. They have focused on improving partnership processes rather than attempting to calculate the cost-to-outcomes relationship. This is because:
- partnerships often work towards long-term objectives;
 - some people believe that it is only possible to show improvements from partnership working qualitatively; or
 - public bodies generally are wary of trying to quantify value for money.
- 62 The Strategic Partnering Taskforce pathfinder projects have yet to be evaluated. However, they clearly aimed to bring about significant efficiency savings through strategic partnerships between local authorities for the provision of ICT, benefits administration and call centres and between education and social care agencies and PCTs.
- 63 On a smaller scale, there is scope for some local bodies to streamline their functions in order to achieve savings.

Using resources effectively

- 64 Most reports on partnership working identify problems in this area.

‘Many partnerships have yet to demonstrate effective use and management of resources. There are examples of inefficient financial planning, especially in relation to the use of short-term funding. All local partnerships need to do more to make sure that effective use is being made of resources, that local stakeholders are involved and that planning includes improved follow-on services.’ (Ref. 14)

- 65 Partnerships must marshal the resources from each partner to tackle problems in the most cost-effective way for the communities they serve. This often means taking hard decisions, and communities will usually hold their local authority to account for them.

‘It’s very difficult for the Council. You can hear it in the local community that the Council didn’t bid, or it ignored that opportunity. And I think it takes quite a brave decision maker to say sorry we’re not doing that because we can get something better over here for our money, even if it’s not quite so high profile.’

Finance manager, metropolitan borough council

- 66 Increasingly, integration offers the means to reduce costs. In one county, the fire, ambulance and police services reformed their business processes to increase efficiency and use assets and buildings more productively. Through integrating back-office functions, they estimate that substantial savings and other gains have been made (Box B).

Box B

Integrated back-office functions

The services use a BT Call Line Concentrator to prevent 999 calls getting lost in the infrastructure. Whereas each service previously had three such call lines, each costing approximately £100,000, there are now four in total for all three services.

A common Geographic Information System.

Joint use of buildings. Ambulances now operate out of fire stations, which has led to reduction in building maintenance costs of £750,000, against the additional cost of £350,000 involved in moving vehicles around.

Common procurement of vehicles, which are now jointly managed from one site and with new focus on outcomes (for example, reliability).

Source: Audit Commission

What benefits do partnerships bring?

- 67 There are no performance indicators to measure the performance of partnerships directly. The Audit Commission's quality of life indicators are the best attempt yet, and are based on published and widely available data. However, their use is at local authorities' discretion.
- 68 We recognise that it is only possible to measure the outcomes of some initiatives on a long-term timescale; for example, better outcomes for children and young people. While short-term benefits may dissipate, investment in prevention may pay off later in a young person's life; but it is difficult to track this or to ascribe the difference to any one particular intervention many years previously.

'I suppose what I'm getting at is that if you wanted to look at how good a partnership is, perhaps you can't go right to the outcome. Perhaps there's as much value in looking at have things changed as a result of partnership (and) what you have done differently as a result . . . What has changed in either your priorities (or) how many decisions have you made that have hurt to accommodate the needs of the partnership and what working practices have changed?'

Chief executive, metropolitan borough council

- 69 The next generation of local public service agreement (LPSA) targets will show whether some partnerships are making significant progress, but the evidence is not yet conclusive. Partnerships are critical to local authorities' ability to make a success of LPSA Round 2. The ODPM evaluation of LPSAs focused initially on processes. Validated data on outcomes will be available from December 2005. In the meantime, case studies 4 and 7 show that the basis can be put in place to show how longer-term outcomes can be monitored.
- 70 However, greater collaboration at local level would permit service providers to see evidence of improvements:

‘...The station commander became involved with a whole range of partners, including the District Council, to tackle the secondary fires problem. It culminated in clearing out rubbish from a whole range of streets. So stuff that would normally be set fire to at particular times of the day was cleared out. The general public could see all these people working together, and what they have ended up with is much cleaner streets, and a better place to live. For us, the benefit has been immediate in terms of the vast reduction in the number of calls we've had in that area.’

Chief fire officer

- 71 Here we see that it is possible to begin to quantify benefits that would not otherwise accrue from independent working: the service can monitor the reduction in calls; quantify the associated savings and the public satisfaction with improvements. Although such calculations are not yet widespread, it is possible to prove the contention about partnerships that the whole is more than the sum of its parts. Asking the right sort of questions about partnerships will reveal whether or not they do add value (**Case study 2**).

Case study 2

Yorkshire Dales National Parks Authority – mapping, evaluating and streamlining partnerships

The Yorkshire Dales National Parks Authority carried out a review of its partnership working to determine how well each partnership helps to achieve the statutory purpose and corporate objectives, as set out in its best value performance plan 2004/05. The review focused on making sure that the Authority can use resources more effectively and secure better outcomes for the people who use the National Park. It also allowed the Authority to assess its ability to influence other bodies' strategies and policies through participating in partnerships.

The review enabled the Authority to:

- estimate the financial cost of partnership working, measured by officer time, in order to judge whether the benefits it receives are sufficient;
- judge the benefits of engaging with different partnerships;
- establish criteria for entering into new partnerships; and
- formalise arrangements for working in partnerships.

The Authority calculated that in one year it spent close to £100,000 on partnership working, measured by the number of staff days spent in meetings and other activities. In some cases, it was difficult to reach any view on whether this activity helped the Authority to achieve its objectives.

Therefore, the Authority developed a set of criteria to specify the main purposes of belonging to a partnership; terms of reference; adequate training and an exit strategy. This helps the Authority to enter and leave partnerships positively and at the appropriate time. It also ensures that the Authority uses resources more effectively to help it achieve its purposes and priorities. The criteria are:

- Does the partnership contribute to National Park purposes?
- Does the partnership contribute to: NPMP priorities and objectives; best value performance plan priorities and objectives?
- Does the Authority need to be involved?
- Could another partnership provide either the same or a similar function – such as an LSP?

- Does the partnership have clear terms of reference?
- Is there an engagement and exit strategy?
- Is it a group with a specific task and a time limit?

The Authority's Audit and Review Committee now assesses reports from each partnership annually. These reports rigorously assess the risks and benefits involved, and lead to one of the following decisions:

- withdraw from the partnership;
- allow another body to represent the Authority's interest;
- set a time limit for involvement;
- remain involved; or
- remain involved, but at a different level, for example, a watching brief, or attendance when the agenda is relevant to the Authority.

Source: Audit Commission

3

Governing partnerships for better accountability

- 72 Chief executives and non-executives often complain of multiple accountabilities in their corporate roles. Partnerships may compound their difficulties further, because creating internal and external accountability mechanisms is more complicated.
- 73 Before partnerships can provide effective external accountability to the public, they face the challenge of ensuring that effective accountability exists within the partnership. The principles of good corporate governance apply with equal force in partnerships, but there are particular governance challenges in achieving effective internal and external accountability.

Mechanisms for accountability

- 74 If we examine the four components of accountability identified in recent research for the ODPM (**Table 1**) (**Ref. 15**), we see that corporate bodies have many more established procedures and mechanisms for accountability than do partnerships. This is why partnership working can often expose organisations to greater risks.

‘...The same principles of governance apply in partnerships as in large institutions, but it is more onerous to implement them and the difference must be recognised. Not all elements of the way that the individual institutions work can be made to operate in an identical fashion in partnerships. If you were to get that, then almost certainly there would be a good reason for not having a partnership, but having an integrated institution.’

Local authority chief executive

Table 1
Four components of accountability

Corporate bodies have many more mechanisms for internal and external accountability than partnerships.

	Giving an account	Being held to account	Taking account	Redress
Corporate	Annual reports Reports to cabinet/board Reports to audit committee (Reports to LSP) Public events, eg, roadshows Communications strategy Open decision-making meetings	Scrutiny Performance appraisal Internal audit Public meetings Annual audit letter Inspection reports	Research and consultation, eg, citizens' panels Neighbourhood forums	Complaints procedures Local Government and Health Ombudsmen
Partnership	(Annual reports) (Public events, eg, roadshows) Communications strategy	Patchy scrutiny Partnership business reports (Annual audit letter) (Inspection reports)	Research and consultation (Neighbourhood forums)	(Complaints procedures) Ombudsmen

NB: Brackets indicate mechanisms at an embryonic stage only

Decision making

- 75 Partnerships either take executive decisions themselves, or make decisions that will affect executive decisions in another arena. They need clear lines of accountability and transparent decision-making processes, particularly for the decisions on committing and allocating partnership resources.
- 76 LSPs can expect to influence spending among their constituent organisations – the so-called bending or mainstreaming of their separate resources towards partnership objectives. If no one takes any meaningful decisions, then nothing changes as a result of partnership working and the partnership should not continue.
- 77 Decision making is a principal function of non-executive directors in corporate bodies. However, this role is not always clear in partnerships, unless its legal structure requires it – as in, for example, a charitable trust or company limited by guarantee – or it is a role chosen by a councillor or a voluntary sector representative.
- 78 It is important that agents representing an organisation have the delegated authority to take decisions on its behalf and that those decisions are scrutinised and challenged effectively. Some organisations are represented at appropriate levels and delegates are empowered to take decisions, but many are not. Some partners may become demotivated because the real business between partners takes place elsewhere and the formal partnership decision-making process is short-circuited.

‘Where partnerships are nested within the framework set by the LSP and are working to aims that are clearly defined as Council corporate objectives/ community strategy, consistency of purpose with Council corporate objectives is more likely to prevail. Where this relationship is less well defined, some partnerships appear to have developed a life of their own.’

(Extract from 2003 Audit Commission report for a London borough)

- 79 Our research on partnerships shows that, while the balance of representation is generally good, roles and responsibilities can be unclear. This is especially so in relation to the basis and authority on which representatives participate and make decisions. Partnership members are not always clear whether they are representing themselves as individuals, their organisation, a cluster of organisations or a particular sector.

Case study 3

West Berkshire

In West Berkshire, the LSP has in place a clear framework, terms of reference and lines of accountability. Staff and external partners believe the strategic decision-making process is clear and transparent within the council. The LSP has sound support structures, including detailed minutes of meetings, decisions and accountability for specific projects. Decisions made in partnership meetings are adhered to by clear reporting methods. Disagreements are well managed and resolved.

Source: Audit Commission, July 2004

Standards of conduct

- 80 Partnerships need to agree high standards of conduct that govern the way in which they work. The integration of planning, commissioning and delivery in partnership working presents an opportunity for decision makers to promote or protect vested interests – for example, private and voluntary sector partners may find themselves involved in decisions that affect their own interests. It is important that sound procedures are in place to resolve conflicts of interest. Decisions should be open and transparent to all stakeholders.

Leadership

‘A partnership, by definition, serves both partners, without domination or unfair advantage.’

President John F. Kennedy, address in the Assembly Hall at the Paulskirche, Frankfurt, West Germany, June 25, 1963 — Public Papers of the Presidents of the United States: John F. Kennedy, 1963, p. 519.

- 81 Leading a partnership successfully requires influencing skills. Different partners may emerge to lead on different occasions, depending on the partnership or the topic under discussion. A local authority’s statutory role as community leader does not automatically confer on it an agreed leadership position in partnerships. Local voluntary and community organisations will often contest the leadership role as they seek to represent their particular communities. Elected members may bring a political dimension to leadership that other organisations find uncomfortable and some councillors are resistant to others

fulfilling the leadership role. This could be because they believe that the LSP, or other partnership, threatens their democratic legitimacy to represent their constituents and make decisions on their behalf.

- 82 If people perceive that one organisation or personality is too influential and dominates the partnership this can result in leadership tensions. For example, some LSPs are seen as council dominated, with the council ‘running the machinery’ and determining agendas and the culture of meetings. This can affect the degree of commitment from other partners. Tensions can also arise if the principal partners lack the flexibility to meet the needs of other partner organisations.

‘... As a police officer, I avoid politics, because in some respects the political agenda often out drives the rational agenda.’

Police district commander

- 83 Some councils have tried to avoid dominating LSPs. Recent research for the ODPM shows that 47 per cent of LSPs have chairs from other sectors (LSP interim evaluation survey), drawing people from the voluntary or private sectors to chair them, or facilitating joint leadership (**Ref. 16**).

Case study 4

London Borough of Islington and Islington PCT

Strong leadership, a clear, shared vision at a corporate level and committed and experienced operational staff are features of the partnership between the London Borough of Islington and Islington PCT. A formal inter-agency Partnership Agreement and overall framework for joint working between the two organisations are in place, incorporating NHS 1989 Act Section 31 financial flexibilities and references to each organisation’s vision and strategy. Key achievements to date include:

- the formulation of joint priorities, policies and agreed outcomes;
- setting up of appropriate structures for joint meetings and reporting, including a range of performance measures, some of which are shared;
- close involvement of a Non-Executive Director of the PCT, the Executive Member for Social Services on the Board and the Performance Committee of the PCT in areas of partnership performance monitoring;
- setting up a Joint Integrated Board (JIB), operating as a combined management

team, comprising senior officers from the Council and the PCT;

- the creation of joint senior level posts for commissioning and services;
- formal procedures for dealing with conflicts of interest between partner agencies; and
- clear strategic decision making and sharing of responsibilities for action.

Both the Council Executive and the PCT Board can make decisions about partnership matters independently as well as together.

Source: Managing Improvement through Partnerships, Audit Commission report for Islington health and social care agencies, January 2004

A partnership's culture

84 Commentators have placed much emphasis on the necessity of establishing trust and goodwill between partner organisations. There is no doubt that closer working relationships can generate better understanding of partners' objectives, greater openness in sharing knowledge and information and more trust. These in turn can generate tangible benefits, such as:

- joint resourcing of partnerships through financial contributions, staff secondments, facilities, services, joint posts and training, and some pooling of resources;
- joint community consultation strategies;
- increased flexibility towards the different needs of different partners; and
- joint working, mutual support and devolved decision making, along with the need for clear succession planning.

Case study 5

Plymouth City Council

At Plymouth City Council, the leadership has endorsed a growing culture of inter-agency working, extending beyond the work of specific partnerships. For example, the Council has contributed resources to develop the Plymouth 2020 partnership Plymouth Informed website. This provides a range of information about the city, including statistics, the provision of local services and the strategies and plans of partners. Members of the public and any interested organisation can access the site at: <http://www.plymouth-informed.org.uk>.

Source: Audit Commission, Working in Partnership through Plymouth 2020, 2004

- 85 But cultural differences and tensions – real or perceived – remain a barrier to effective partnership working. Difficulties may arise because of:
- different management cultures;
 - failure to use the skills and experience of partner organisations and partnerships effectively and to develop them to best effect;
 - poor communication and information sharing; and
 - uneven levels of support from partners.
- 86 Funding is another factor that has affected the culture of collaborative working – the main factor determining some organisations’ involvement in partnerships has been the availability of funding. Some partnerships have experienced deteriorating relationships between the partners because of damaging disagreements about how they should allocate the funding streams.

Systems and processes

- 87 In order to improve communication, it is important to develop formal protocols on the sharing of information and knowledge within and between partner organisations. Even where individual partners use their own internal and external communication channels, there is sometimes uncertainty about the messages to send and partners can struggle to keep abreast of partnership activity and developments.

- 88 One of the main corporate governance problems that the boards of public organisations experience is the quality of information that they can rely on when they take decisions. The sheer volume of information presented in board papers can be a problem, particularly for non-executives and community representatives, who may not have the time or skills to interpret it properly. Three important systems provide the information that underpins decision making in corporate bodies: risk management, performance management and financial management. They form the basis of all effective accountability.

Risk management

- 89 The growth in partnership working means that organisations face increased financial, legal and reputational risks if problems arise. A few cases have resulted in a significant loss of public funds when things have gone wrong in partnerships.
- 90 Risk management is the least developed of the three critical systems and processes within corporate bodies and therefore within partnerships. Risk management is inherently tied to decision-making processes; these are less clear in partnerships than in corporate bodies, so this creates a ‘double bind’ for partnerships seeking to assess risks.

‘If the partnership is large enough and therefore is making decisions collectively, rather than individual decisions as separate organisations, those collective decisions are potentially leaving yourself open to future risks, claims, liabilities. You may need to determine whether that partnership needs to be formalised as a legal entity in itself.’

Head of cabinet, district council

‘I think where the partnership is a service delivery partnership with a formal and structured agreement to pool resources and staff etc, then there will be a very robust risk assessment done as we enter into the partnership. Where the partnerships are more about bringing existing service providers together . . . then I don’t think that we have got a robust risk assessment process in place yet.’

Head of corporate performance, metropolitan borough council

- 91 We have identified the following weaknesses in the way that public bodies address the risks involved in working in partnerships:

- Failure to understand the extent of their involvement in partnerships, or its implications, including their financial and legal liabilities. Partnerships can operate in isolation, duplicating effort and activity. Partners may not be adhering to the standards and protocols expected of them in the corporate sphere.
- Absent or insufficient corporate criteria to enable public bodies to assess whether to form a partnership or participate in one, what the appropriate level of involvement should be and what resources to invest. They may lack formal procedures for assessing the suitability of partners, the legality of the proposed partnership arrangements and standards of financial regularity or conduct.
- Insufficient thought given to planning an exit strategy. Partners should clarify the management of any continuing financial liability, the ownership of assets and arrangements for disposal in order to avoid the risk of future legal disputes, or of the accountable body (often a council) becoming liable by default.
- Lack of clarity on insurable risk, such as indemnity cover for partner members or public liability.
- Lack of formal systems for recording conflicts of interests or for assessing the risks of funding proposals.

92 In one shared-service delivery partnership, a community NHS trust managed a shared-services operation, providing financial services for its own purposes and to its NHS partners. One audit report found that:

‘...There has been a failure in the arrangements for administering the financial affairs of the partner organisations due to a collapse in the controls that should have been in place over the core financial systems provided by X. This has resulted in:

- a breakdown in financial control;
- an increased risk of undetected fraud, corruption and error;
- inadequate financial reporting; and
- the risk of inaccurate financial data, which cannot be relied upon for preparing the annual accounts.’

93 All public sector organisations must now have a Statement on Internal Control. This document requires them to describe how their systems of internal control manage the main risks to achieving their objectives. Although partnerships do not have to be explicitly

mentioned, their activities should be considered and any internal control issues highlighted if they fall into one or more of the following categories:

- the issue has seriously prejudiced or prevented achievement of a principal objective;
- the issue has resulted in a need to seek additional funding to allow it to be resolved or has resulted in significant diversion of resources from another aspect of the business;
- the issue has led to a material impact on the accounts;
- the audit committee, or equivalent, has advised that it should be considered significant for this purpose;
- the head of internal audit has reported on it as significant, for this purpose, in the annual opinion on the internal control environment;
- the issue, or its impact, has attracted significant public interest or has seriously damaged the reputation of the organisation; or
- the issue has resulted in formal action being taken by the chief financial officer and/or the monitoring officer.

Source: The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003

Performance management

- 94 Managing partnership performance is increasingly important and we have found some examples of good practice in the course of monitoring partnership activities (**Case study 6**). A recent validation exercise on the performance management frameworks of some LSPs^I showed that:

‘... they have made significant progress in implementing performance management systems. This is a notable achievement, given the complexity and sensitivity of developing performance management in a partnership context. It marks a further stage of development in the life-cycle of LSPs and demonstrates a level of organisational maturity, which is reassuring given their relative youth.’

^I The Audit Commission undertook a validation of those LSPs in receipt of over £10 million in Neighbourhood Renewal Funding (NRF), as well as those that had been identified as having the furthest distance to travel and facing the greatest challenge in meeting key floor targets and who were therefore in receipt of extra (or residual) NRF – a total of 60 LSPs nationally.

Case study 6

Aylesbury Vale District Council

Aylesbury Vale District Council is developing performance management across its partnerships. Regular progress reporting of partnerships takes place, including through the member with portfolio responsibility for partnerships, annual updates from elected members on outside bodies and progress reporting on specific partnerships through to Cabinet. The Council's performance appraisal system also identifies where an individual's work relates to partnership working and sets specific targets.

Source: Audit Commission, March 2004

- 95 But other partnerships still find performance management difficult. Common weaknesses include:
- weak alignment between partnership and corporate plans, targets and delivery; poor links and coordination between partnerships and between umbrella partnerships and their sub-groups; lack of formal arrangements for partnership representatives to report back on partnership activity;
 - a lack of monitoring or evaluation of the effectiveness and impact of partnerships; limited use of impact or outcome measures; inadequate use of SMART action plans, targets and indicators; progress monitoring and reporting tends to focus on input and activity targets rather than outcomes;
 - a lack of monitoring or evaluation of the contribution of partner organisations; limited opportunities or willingness to challenge the performance of partners or give feedback on their performance in partnerships; and
 - underdeveloped arrangements for the scrutiny of partnerships by corporate processes.
- 96 Many partnerships have incompatible or inadequate systems for generating the information needed to establish baselines, milestones and targets and to track progress. Slippage against partnership plan targets is difficult to manage and it is hard to share good practice across partnerships and across partner organisations.

‘If you’ve got something in your partnership agenda that’s not measured centrally and you’ve got something outside of that structure that is measured, which do you put your resources into?’

Police chief inspector

Case study 7

Darlington Borough Council

Performance management has continued to develop and the Council is currently rolling out its computerised performance management system. The system now includes links between priorities, objectives and targets and all service plans and performance indicators are modelled using this system. The LSP has adopted the same performance management system as the Council, enabling seamless reporting against community strategy themes and corporate objectives.

Source: Audit Commission, 2005

- 97 Effective performance management in partnerships will bring to the surface local tensions and national contradictions. Local tensions arise from partners’ mutual interdependence. Organisations collaborate partly because it will help them to achieve standards of performance that they would not attain otherwise. As the performance management frameworks for partnerships become more rigorous, they will show that some partners are failing to perform to the required standard.

‘We’re terribly dependent on [partnership working]. Last year [a key partner] failed to achieve their targets ...I think they achieved something like 85 per cent of their targets. Members need to know that a key government agency has actually not served the City terribly well. Having said that, this also raises some awful tensions for us because X is actually a very good partner and we understand why they haven’t performed, but there is a public accountability issue nevertheless.’

Head of regeneration, metropolitan borough council

- 98 National contradictions often arise from conflicting national targets; for example, a PCT can charge the local authority for each day’s delay in finding a care place for an older person who is deemed medically fit to leave hospital. But one director of social care in a local authority described how greater integration had resolved this problem:

‘The whole culture of fining another organisation when you are also saying to them “work together in a partnership way” is two completely different messages . . . We’re so integrated that the Director of Service Development is a joint appointment across the local authority and the PCT. He manages the budget, so in fact he would be fining himself. So we’ve sort of leapfrogged over this.’

- 99** In less well-integrated partnerships, various national targets can have a different effect. Inevitably, chief executives of public bodies will pay greatest attention to the problems for which government will hold them to account. The chief executive officer of a one-star PCT faced the prospect of the trust being downgraded to zero stars because it was unlikely to meet its waiting list targets. The local LSP manager appreciated that, despite the chief executive’s personal commitment to partnership working, he needed to direct most of his efforts towards achieving the targets for which he was to be held personally accountable.
- 100** It is easier to achieve trust and goodwill when little is at stake. When partners must hold each other to account for mutually agreed standards, targets or outcomes, then it is easy to strain goodwill and lose trust.

Financial management

- 101** Effective stewardship of public resources is as important in partnerships as in corporate bodies, where numerous controls and constraints promote accountability and prevent fraud and mismanagement. Auditors have found financial problems in some partnerships where such controls and constraints are lacking.
- 102** Partnerships that place responsibility for allocating central government funding streams (such as NRF, Sure Start, Connexions) with an accountable body appear to have better financial systems and controls. This is because the accountable body must ensure compliance with the requirements of the grant-paying government departments.
- 103** The principal governance issues in financial management are:
- Establishing adequate systems for financial control and monitoring within and between partnerships. Different accountability mechanisms often present challenges:

‘There is a whole range of funding streams for each of our thematic partnerships and it just does not make administrative sense. It’s cumbersome, it’s inefficient and it misses the huge opportunities there are for applying resources flexibly and

creatively. It requires government and other funding bodies to trust local partnerships.'

Head of corporate performance, metropolitan borough council

- Setting strategic direction for some partnerships where the availability of resources drives the agenda, rather than community needs. Short-term, complex government funding regimes, with tight decision-making timescales and pressure to spend grants quickly, can hamper strategic, long-term approaches to funding. There may be additional significant factors, such as existing short-term or annual financial arrangements between partner organisations or local pressure from residents to spend on short-term projects to address immediate issues.

'The power [in partnerships] is governed by the money and the control is through money. And money doesn't always improve partnerships. The best partnerships are those that use existing resources imaginatively to achieve your objective.'

Chief police inspector

- Ensuring that there are sufficient financial and human resources to enable the partnership to operate effectively. There can be a tension for some partners in committing resources to partnership objectives, particularly where those objectives are not a direct responsibility of the partner and they compete for scarce resources, with objectives for which the partner has sole responsibility.

104 Generally, resources to support partnership working are increasing and partnerships are making greater efforts to identify the delivery resource requirements, for example, by creating data analysis posts to inform future resource allocation and strategic decision making. Increasingly, organisations are redirecting mainstream resources and activity to meet partnership objectives, as well as pooling resources.

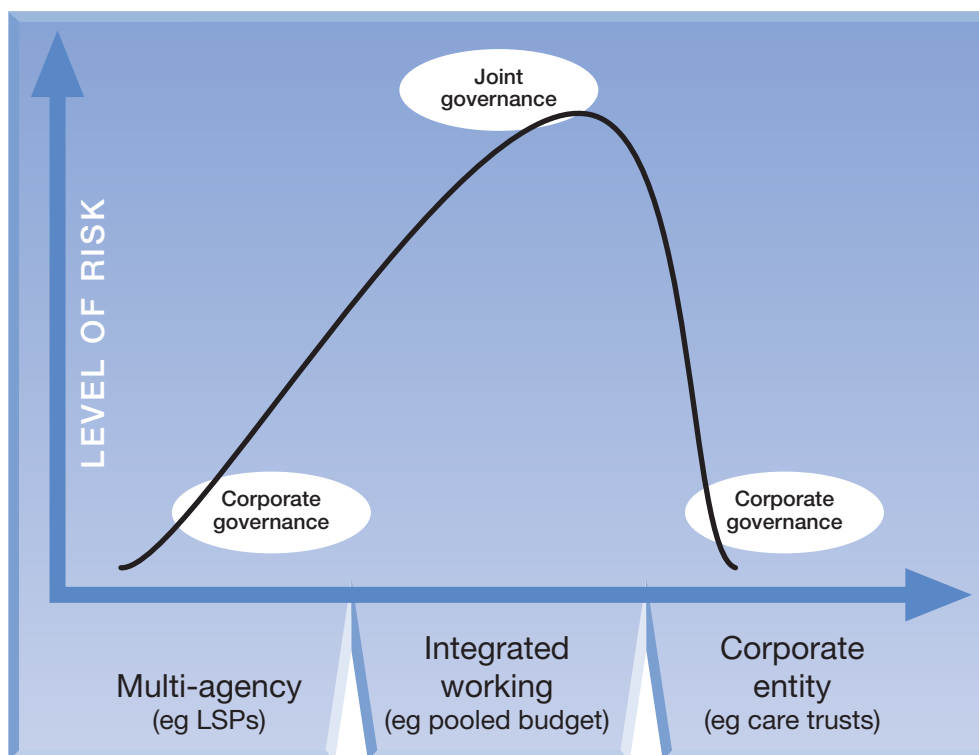
The challenge of integration

105 The degree to which partnerships integrate the processes of two or more organisations varies. Strategic alliances are at the un-integrated end of this spectrum because they involve little if any joint decision making or delivery. Some LSPs have operated in this fashion, although they are increasingly taking on responsibilities for delivery. The creation of a new organisational form, such as a care trust, lies at the fully integrated end of the spectrum because it constitutes a separate legal entity. We can regard a children's trust as a virtual new organisational form, although it is not a separately constituted entity.

- 106** Corporate governance arrangements cover the risks involved at both ends of the spectrum. They involve different degrees of integration. Some organisations work in partnerships to achieve a common operational objective for a limited time and create specific joint procedures and structures to achieve it; for example, NRF regeneration partnerships, and Supporting People partnerships of local authorities, PCTs and probation services. These partnerships require joint commissioning arrangements for one budget from three or more different statutory partners, but only one takes the role of accountable body.
- 107** A partnership's governance requirements depend on its degree of integration. Corporate governance arrangements are generally unaffected where organisations come together at a strategic level, in loose, multi-agency working arrangements. The boundaries between the organisations are clear; accountability, service planning, complaints and redress remain corporate functions. As the partners' shared activities become progressively more integrated, it becomes harder to clarify internal lines of accountability between them (**Figure 7**). Clarity on decision making about finance and the commitment of resources is essential.
- 108** It is particularly important to have internal clarity over line management responsibilities where joint posts are involved. Staff involved in partnership work need to know which organisation has line management responsibility for them; these may be secondees, staff in jointly funded posts, or staff from different organisations who are working in the same office or service outlet, such as health and social care staff, or police officers and neighbourhood wardens on joint patrols.
- 109** One director of public health noted a trend in cross-sector working to enhance the role of home help to hybrid social care and health teams. Line management of these posts was:
- ‘...undertaken sometimes by us, and sometimes by the NHS. There are a raft of issues around people working together in integrated teams, for example, through different terms and conditions. We still need to resolve a number of issues both nationally and locally around people crossing between organisations and pension arrangements and VAT arrangements. Very practical things.’
- Corporate director of health and social care, unitary council**

Figure 7**Governance risks**

Different levels of integration present different governance risks.



Source: Audit Commission

- 110** Normal management processes, such as supervision, reward and discipline, are potentially more difficult when staff are involved in joint-working arrangements. Partners need to ensure that they know how their staff will react when engaged in combined operational activity, such as joint patrols by police and neighbourhood wardens, or when health and social care staff work together on a reception desk. Corporate procedures that set out how to deal with complaints and other incidents may prove less easy to manage if direct line management responsibility is not clear.
- 111** Integration may throw up difficulties arising from different organisational systems and processes. Integrated service planning or delivery requires greater integration of support and information functions through ICT. Therefore, partners need to develop a joint

information strategy that outlines how and when they will bring information systems together across the partners (**Case study 8**).

Case study 8

West Berkshire Council

West Berkshire Council openly shares knowledge with its partners on the LSP. Information systems and protocols are available to support partnership objectives and clear information sharing protocols are in place, which help to diffuse conflict and promote openness. Most partners attend partnership meetings and joint working takes place with other statutory bodies. For example, the police have seconded staff to the Council to investigate closer methods of working and to forge productive working relationships. Partners feel that the Council has a flexible approach to partnership working, which enables them to respond to changing needs.

Source: Audit Commission, 2004

- 112** Joint commissioning highlights the governance difficulties that integration can bring (**Box C**).

Box C

Supporting People: governance challenges

The Supporting People programme illustrates the difficulty of securing effective governance in partnerships. Supporting People commissioning bodies led by the administering local authority (ALA) and involving health, probation and district councils in two-tier authorities should set the local strategy and drive local programmes. Over 63 Audit Commission inspections show that, two years after the launch of the scheme (of £1.72 billion funding), some of those involved in these overarching commissioning bodies are still not clear about their roles and responsibilities. In some cases, health and/or probation partners do not attend regularly and the arrangement whereby one PCT or district council representative can speak for or commit their peers is unclear. In reality in these local authorities, the commissioning body is not governing the programme and where the role of the accountable officer is also weak, by default, leadership falls to the council's middle management Supporting People lead officer. In some cases, there are no reporting arrangements from that individual to the council's treasurer, members and senior

managers, because the council does not recognise that it has any responsibility to take on that governance role. There are examples of high-performing ALAs where governance and partnerships are robust and sustainable but these are currently in the minority.

In weaker ALAs Supporting People lead officers cannot secure a sustained commitment from senior officers in partner organisations, ensure a strategic approach across all partners, nor can they ensure the joint planning of Supporting People and wider budgets. Responsibility for dealing with the consequences of service failures or closures is not always shared and neither are partner resources pooled to address those consequences. At worst, vulnerable users can lose services altogether with no clarity about who is responsible for the service loss and for any corresponding failure to find a replacement service.

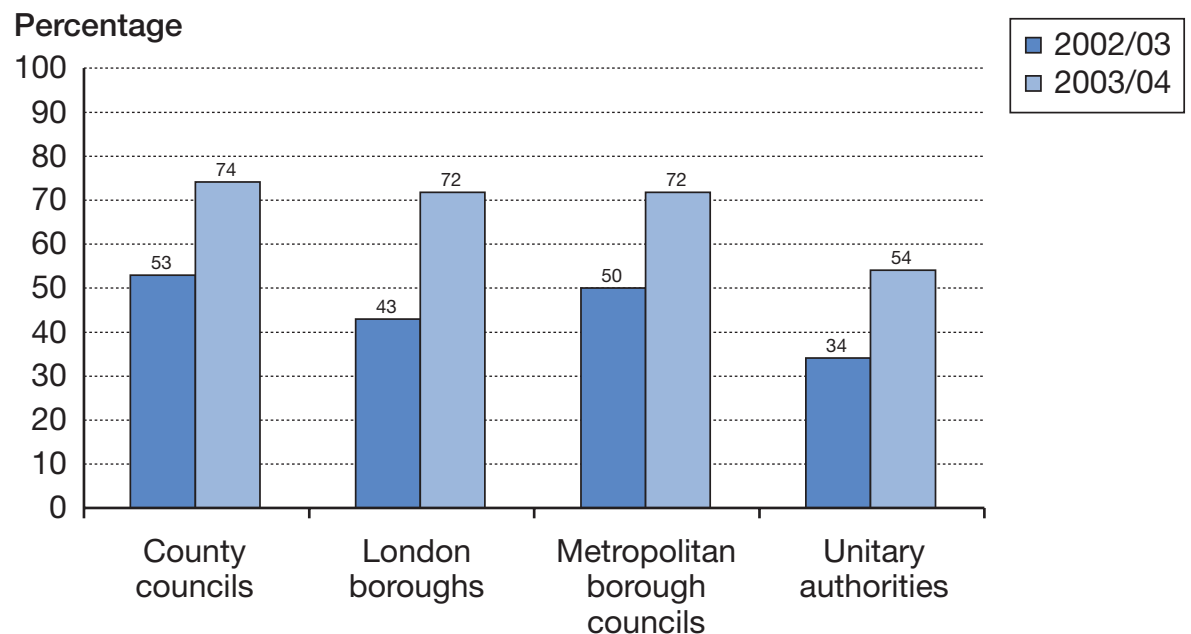
Source: *Audit Commission (Supporting People, October 2005)*

- 113** Integration has proceeded furthest in pooled budgets arrangements and other flexibilities¹ under Section 31 of the 1999 Health Act (**Figures 8 and 9, overleaf**).

¹ Along with pooled budgets, partners can enter agreements that specify a lead commissioning role for one partner, or joint commissioning roles between them.

Figure 8**Pooled budgets in local government**

There has been a marked growth in use of pooled budgets in local government.



Source: Audit Commission, 2004

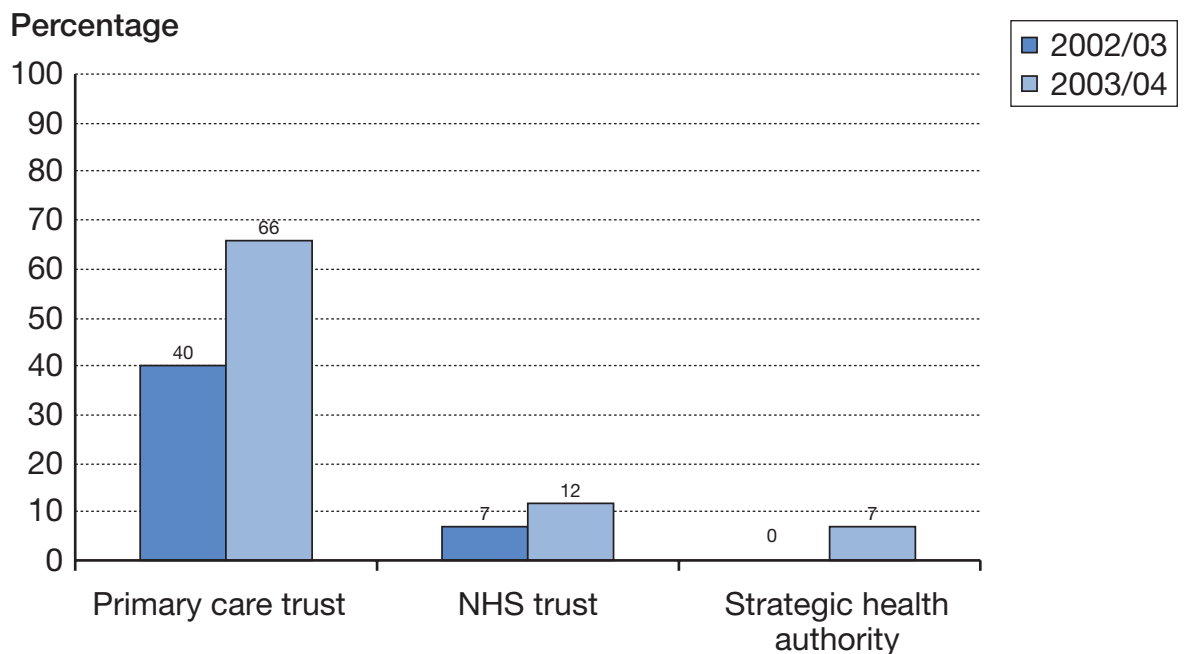
- 114** In the NHS, the use of pooled budgets shows a similar increase in 2003/04 over 2002/03, although from a lower base than in local government (**Figure 9**).
- 115** Pooled budgets are the clearest example of integration between separate organisations and most clearly illustrate the balance between risks and benefits in partnerships. They have the potential to bring significant benefits, in terms of greater clarity of purpose, increased resources and better services. They also, however, bring the risks that this section of the report has identified. These risks require careful management to realise the anticipated benefits and this is achieved through the pool memorandum of accounts. The host to the pooled budget arrangement prepares the pool memorandum of accounts, which shows the pattern of the budget's income and expenditure, and sends it to each of the partners for inclusion in their own statements of accounts. The role of host, which can be adopted by any best value authority, does not confer any additional risks to an organisation; participating organisations share these risks. Agreeing the pooled budget

memorandum is important precisely because accountability remains with organisations that are not in charge of the day-to-day management of the budget.

Figure 9

Pooled budgets in health

There has been a marked growth in use of pooled budgets in the NHS, albeit from a lower base than in local government.

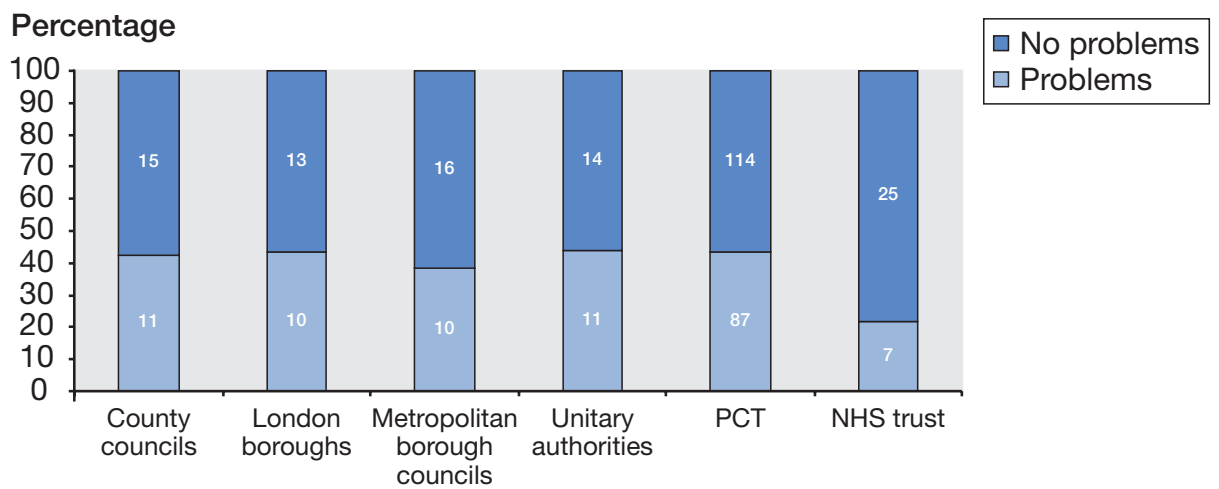


Source: Audit Commission, 2004

- 116 Governance needs to be robust, but auditors report problems with reaching agreement on the memorandum in a substantial proportion of local authorities and NHS bodies.

Figure 10
Problems with pooled budgets

Substantial proportions of local public bodies involved in pooled budgets reported problems in 2003/04.



Base: Local public bodies involved in pooled budgets (Note: neither of the two SHAs involved in pooled budgets reported problems)

Source: Audit Commission, 2003/04

4

Public accountability in partnerships

- 117** Local partnerships exist to provide better services and quality of life for local people. Service users and the wider public have the same rights to hold partnerships to account and to obtain redress as they do with individual service providers; they have the right to expect partnerships to use public money to best effect.
- 118** Partners can achieve better accountability to the public in three ways. They can:
- be open and transparent in their decisions and activities, and communicate these to the public effectively;
 - engage and involve service users in decision making and operational activities, through active involvement in boards and through consultation; and
 - provide service users with the means for redress when things go wrong.

Openness and transparency

- 119** LSPs in NRF areas are required to engage the public through a community empowerment network. Research suggests that other partnerships, including other LSPs, are not as concerned about making their proceedings publicly available as individual organisations.

‘Conformance to criteria of public access is an ad-hoc phenomenon, and little attention is paid to developing mechanisms that provide such access. Only half of partnership board members (56 per cent) thought “there was considerable public involvement in the work of the partnership board”.’ (Ref. 17)

- 120** Public bodies use the term partnership to portray multiple forms of collaboration, including procurement contracts and voluntary collaboration. As a result of this the public may not know what partnership means. However, the public use of the word partnership probably has made people aware that public, private and voluntary organisations now collaborate more than they did in the past.

- 121** Some partnerships use a variety of community channels to raise public awareness. Many authorities have worked together, pooling budgets and resources to communicate with a wider public than it would have been possible to reach if they had continued to work in isolation.

‘We participated in the City Show last month. People from across the partnership, including the community voluntary sector, had a presence. The public had an opportunity to talk to different agencies situated next to each other. In this way, and through some of the other coordinated involvement working, we’ve sought not to revisit the same community with a whole series of different activities.’

Metropolitan borough council chief executive

We found a division of opinion between those who believe that the public do not care about, or need to know about partnerships, and those who think that they do.¹ Local authorities, which represent their communities, are just as prone to this division (**Figure 11**).

Engagement and consultation

‘Programmes such as LSPs, Sure Start and the New Deal for Communities are nurseries for democracy, getting people involved who wouldn’t dream of becoming councillors. They’ve unlocked huge untapped energy and experience – giving people more influence over the decisions that matter to their community.’

Deputy Prime Minister, at the Local Government Association General Assembly, December 2004

- 122** Partnerships sometimes formalise community involvement through the local compact or community forums. Some councils are investing in support structures to help develop community representation and engagement and are using a variety of means to involve residents in decision making.

¹ Source: primary research for governance of partnerships study.

Figure 11

Partnerships vary

Beliefs about whether the public cares about, or needs to know about partnerships vary.



- 123 The formation of a partnership will not automatically produce better mechanisms for engaging with hard-to-reach communities than those that corporate bodies have established already. Many partnerships find that the same community representatives come forward.
- 124 There are various barriers to effective community involvement in partnerships:
- lack of clarity about the role of the community representatives;
 - insufficient support for those community representatives who do not have the backing of an organisation;
 - mechanisms that do not empower local people to contribute confidently and effectively; and
 - the lack of an agreed, coherent approach to encouraging community engagement among partners, which harnesses existing resources and coordinates activity.

Case study 9

Slough District Council

In Slough, the LSP has undertaken a good assessment of community needs, which takes account of local aspirations. Partners have taken a joint approach to sharing baseline data and building on it. The Council has been proactive in ensuring that there are good levels of contact and contribution from all parts of the local population, including faith groups, young people, the voluntary sector and the black and minority ethnic community. The LSP assembly is seeking to continue to increase the level of community involvement to a point where the community leads the partnership and the statutory and voluntary bodies respond to the emerging needs. A key objective is initially to build community capacity to participate in partnership working and then to continue to develop capacity to assist in delivering outcomes.

Source: Audit Commission, 2004

- 125 Commitment to consultation is reasonably widespread. Some partner agencies have invested significant effort in consulting with their communities, for example, by carrying out a wide-ranging consultation as the basis for planning in partnership working, using area-based approaches as a vehicle for consultation with the wider community to inform

the overall strategic approach. Some partnerships have developed joint consultation exercises in an attempt to avoid overlap and consultation fatigue.

- 126** Increased consultation can raise public expectations and may actually undermine public confidence in the agencies if the partnerships cannot meet these expectations. Failure will almost certainly erode public enthusiasm for continuing to engage in this way. If the public believes that consultation is only a tick-box exercise then this will create further cynicism.

‘If you want a partnership that’s open, transparent and consultative then at least be honest about it and say within reason, you’re only allowed to decide about that much. Because I’m not going to go out to the public and say, “I want to know what your priorities are for the next three years”, and then make sure that the five they come up with are the five that we’ve already decided, because that isn’t a partnership.’

Police chief inspector

Complaints and redress

- 127** The ability to manage complaints effectively is the acid test of public accountability in partnership working. Therefore, it is central to the governance of partnerships.
- 128** The assertion that the public does not care which organisation provides the service may be true for many service users. But when things go wrong, the public plays close attention to which organisations and which people within them it can hold accountable. A recent National Audit Office report (**Ref. 18**) makes clear that this is an underdeveloped area for corporate bodies:

‘...public sector redress systems have developed piecemeal over many years and in the past they have rarely been systematically thought about as a whole.’

- 129** Few partnerships have established joint complaints procedures or determined precisely which organisation is responsible for redress if things go wrong. This is a feature of the poor risk management in partnerships, which stems from a lack of clarity about roles and responsibilities in decision making. Fundamental issues between partners about public accountability also influence whether partnerships have effective complaints procedures. Some partnerships are working to raise public awareness of shared accountability and are stressing joint ownership of problems. However, local authority partners may feel that

elected representatives have better direct links with the public; they may be unwilling to shoulder shared accountability because of the particular legitimacy that elected representation brings.

‘There’s an overriding issue I think for local government, because the people who are ultimately held responsible are elected members, being democratically elected. I think that’s got a different set of demands to it compared with police, health or others, because they’ve got a different set of expectations and relationship with the public. Ours is very, very direct.’

Local authority chief executive

- 130** The Local Government Ombudsman reports a gradual increase in the number of complaints about partnerships. He has raised concerns about who is responsible for the decisions in these partnerships (**Figure 12**). There are two issues: the difficulty in establishing the respective responsibilities of the partners, and complaints that affect the jurisdiction of more than one Ombudsman.

‘We have a very real example of that at the moment around placements for children or adults with disabilities. We have a panel and we look at the child’s needs and we do that in a very joined up, grown up way. If the panel decides not to fund a place and the parents complain to us, we tell them that they can go through our complaint system about our bit, but that this is a multi-agency decision. That case has actually gone to the ombudsman but they don’t have a remit over health. So it’s a very practical issue.’

Corporate director of health and social care, unitary council

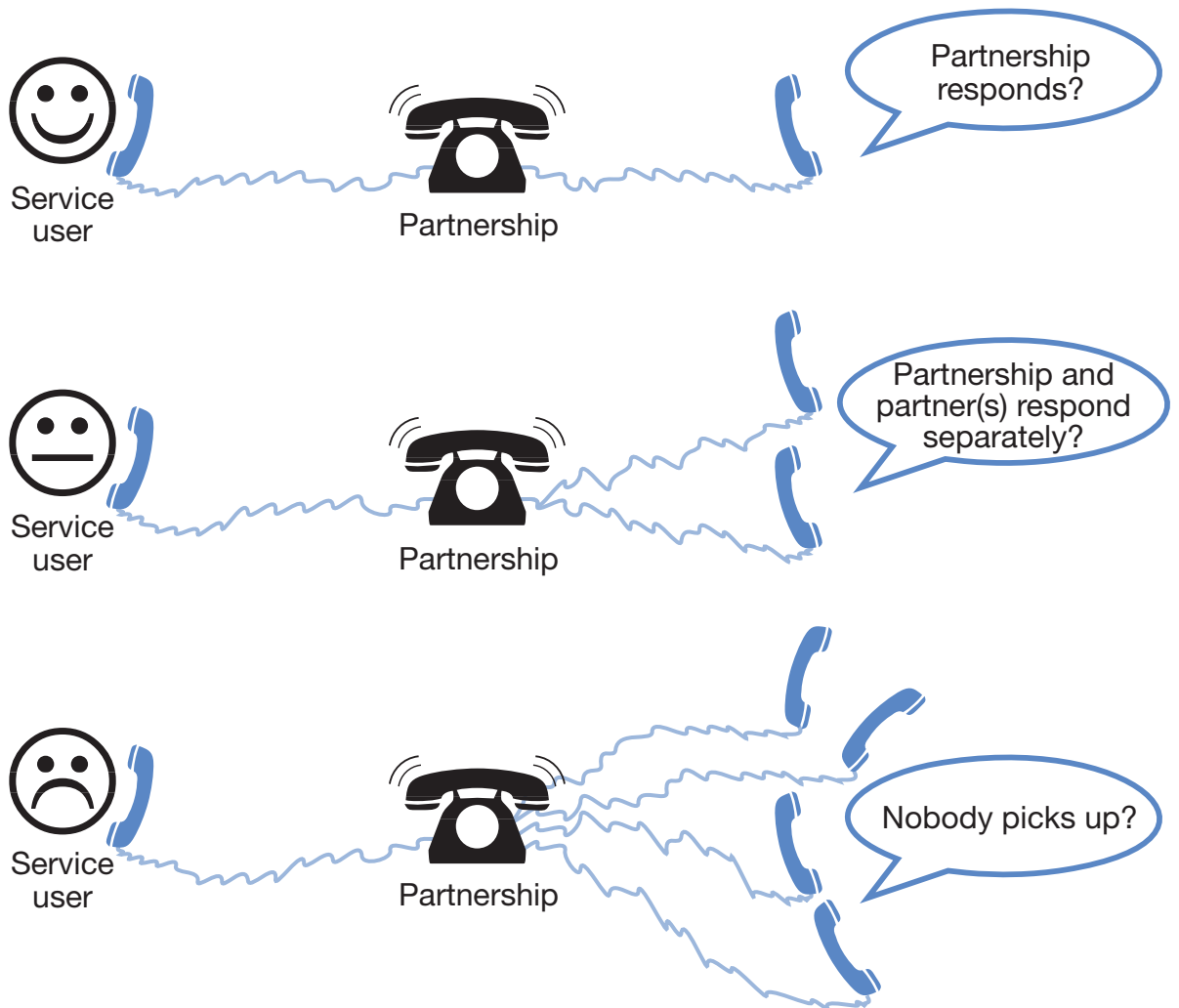
- 131** If partnerships fail to document their processes then the public will not know which agency to contact, or which individuals within it deal with complaints.

...the way the system seems to work now it relies on people having the time and the patience to want to find out who the agency is and who they should report something to by going through a phone book or a website, but for most people life is too short.

Assistant director of resources and social services, county council

Figure 12**Public redress**

The public is not well served.



- 132** Like corporate bodies, partnerships need to recognise the feedback value of complaints. This is critical information that should influence decisions about service delivery. Complaints also present an opportunity to engage with the wider public. Partnerships need to take a collective approach to developing an effective complaints procedure; this means that they can deal with complaints collaboratively, or quickly and efficiently channel the complainant to the appropriate partner's corporate system.

5

Improving the governance of partnerships

133 A key message of this report is that a one-size-fits-all approach to governance is inappropriate for partnership working. Governance arrangements must be proportionate to the risks involved. Public bodies need to strike the right balance between protecting the public pound and ensuring value for money. At the same time, they need to manage the risks of innovation without inhibiting the innovative potential that emerges when organisations collaborate.

134 The governance of partnerships should promote good internal accountability between partners and better external accountability to service users.

135 There are four ways to enhance governance and accountability:

- Audited and inspected bodies should:
 - bring clarity to partnership roles and responsibilities;
 - use corporate governance arrangements to support partnerships; and
 - communicate effectively with the public.
- Regulators and central government should:
 - collaborate to bridge the regulatory gap: ensure that they champion the needs of service users and the wider public in all inspection, audit and investigatory activity in order to secure the greatest possible accountability in partnership working.

Bringing clarity to partnership roles and responsibilities

136 Partners need to bring clarity to the governance of their collaboration. This requires agreement among them about purpose, membership and accountability. Partners should be clear whose interests they represent and how they will handle disputes. The first step is to draw up a comprehensive governing document or partnership agreement.

- 137** The process of agreeing a governing document is itself an important element of partnership governance: it will help to clarify roles and relationships and build goodwill and trust. Because partnerships are fluid and dynamic, it is vital that they review their governing documents regularly and, where necessary, amend them. This review process will confirm that current arrangements are satisfactory or afford partners the chance to raise fundamental issues that they would not normally discuss in the process of day-to-day business.
- 138** No single form of governing document is appropriate for all kinds of partnership. Each partnership must decide for itself what it needs, taking due account of any legal requirements. Each governing document must set out its main procedures clearly and unambiguously. Since most partnerships are unincorporated associations they can adapt the Charity Commission's model constitution. The main elements are:
- the name of the partnership;
 - aims and objectives;
 - membership, including status of different members and termination of membership, schemes of delegation;
 - powers;
 - roles;
 - income;
 - meetings: notice and frequency of meetings; quorum rules; chairing arrangements; voting arrangements; and representation of other members;
 - decision-making processes (scope and timescales);
 - timescales;
 - amendments to the partnership's rules;
 - minutes; and
 - exit strategy/arrangements for dissolution.
- 139** All major partnerships should have a governing document, but it does not need to be overly complex, or anticipate every eventuality. The existence of a governing document does not guarantee effective governance because documents cannot capture many of the soft attributes of successful partnership working. An organisation's involvement in the

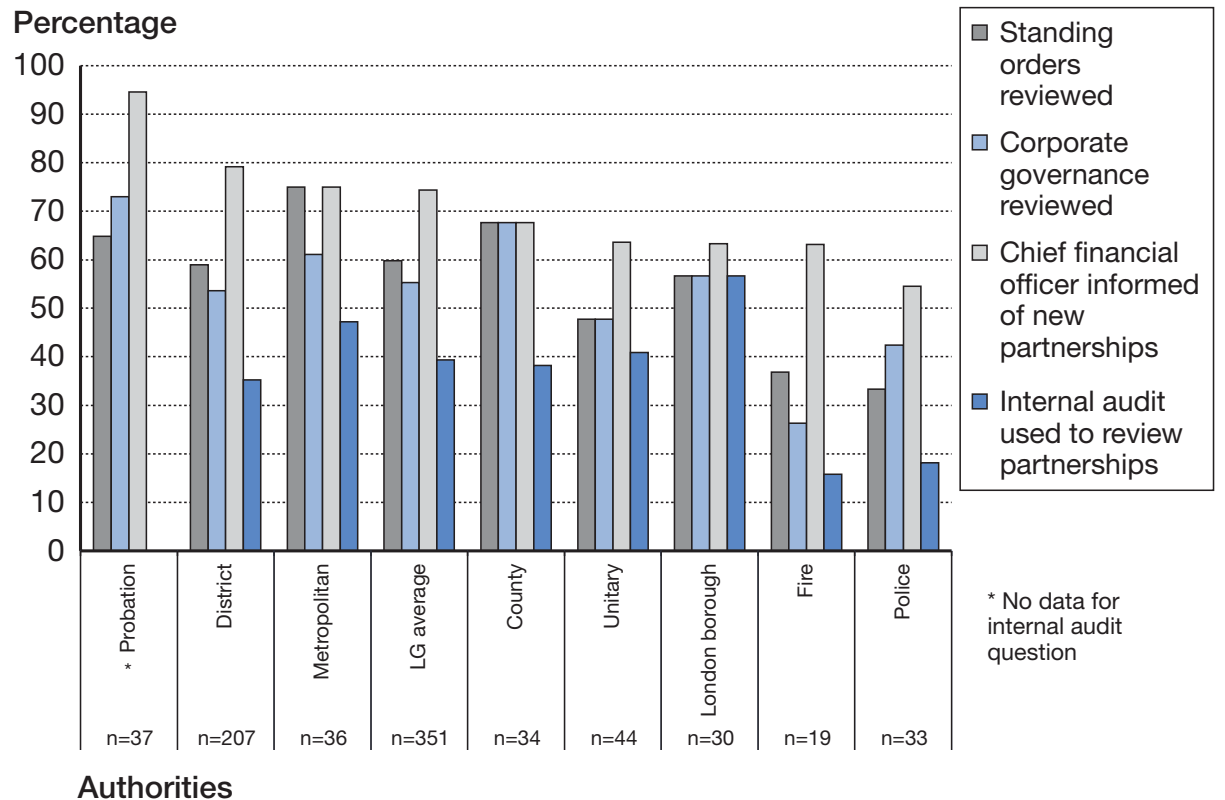
partnership is unlikely to yield meaningful results unless individual partners bring personal commitment to the venture. Partnerships should use governing documents sensibly, to bring clarity to complex or ambiguous situations.

A stronger role for corporate governance

- 140** Where partnerships are not corporate entities, their separate governance arrangements cannot mirror the detail found in corporate bodies. In the absence of formal governance arrangements, responsibility for supporting the governance of partnerships falls to partners' own corporate governance mechanisms. Most public bodies have clear structures and systems to support better corporate governance. However, the links between these and the governance processes involved in partnerships are often missing or unclear (**Figure 13**).
- 141** Public bodies need a scheme of delegation that makes clear who can take decisions on their behalf, the extent of their authority and how decisions will be reported back. Public bodies must scrutinise the decisions that partnerships take. There should be formal links between an organisation's scrutiny and internal audit functions and its key partnership activities. For example, in local authorities, the health scrutiny function and the overview scrutiny function provide good opportunities to investigate issues connected with their power to promote well-being. Councils can use this wide power to create specific partnership scrutiny panels. The Audit Commission's view is: (**Ref. 19**)
- ‘If local authority scrutiny of health works well, it will provide a valuable forum for review and debate, engage local people and generate realistic suggestions to improve services. Done badly, it could duplicate effort, damage partnerships and result in little more than political point scoring.’
- 142** Internal audit processes, and documents such as the Statement on Internal Control, should cover the activities of important partnerships. Internal audit should consider the risks attached to partnerships and report on the links between corporate and partnership activities. The Statement on Internal Control does not require explicit reference to partnerships or joint working. It does require the chief executive (and leader for local authorities) to state that there is a system of internal control in place that is designed to ensure that key risks are managed. This should always include risks in relation to partnerships.

Figure 13
The extent to which authorities have adapted their working to incorporate partnerships

Many local public bodies should review organisational processes to support working in partnerships.



Authorities

Base: All local authorities and probation boards working in partnership

Source: Audit Commission, 2004

143 In order to manage risks effectively, an organisation’s corporate governance systems and processes should address partnerships. This is particularly important in terms of risk management, performance management and financial management. The patchy quality of corporate governance across the public sector presents a potentially serious obstacle to sound risk management (Ref. 20). Poor corporate governance in one key partner will jeopardise the governance of the partnership overall. Organisations that are considering

working in partnerships should take a view about the quality of their own and their partners' corporate governance arrangements. If possible, this should be a joint exercise, so that all partners address any weaknesses. This task may be difficult and sensitive, but it is vital.

Communicating effectively with the public

- 144 Shared responsibility between partners should never mean diminished accountability to the public. Partners should decide how and when they will communicate with service users. They should know when it is appropriate to promote different collaborations under the general heading of partnership. They should make clear to the public which organisation is accountable for service quality decisions and how service users can obtain redress if something goes wrong.
- 145 On occasion, it may be important for partners to communicate jointly to the public; on other occasions partners will wish to report on their partnership working through their individual corporate communications. It is important that the public develops a better understanding of how partnerships affect them and what costs and benefits partnerships bring to service users. Open meetings should be the norm, subject to safeguarding sensitive and confidential information.
- 146 Local authorities have known for some time that a significant proportion of their local communities do not know which services the council provides. Partnerships complicate this picture for the public. Locally commissioned research would shed interesting light on how the public sees different forms of collaboration. Such research could help to guide partnerships as they plan and deliver services.

Bridging the regulatory gap

- 147 Regulators have a role in supporting better governance in partnerships. Traditionally, regulators have worked in separate sector-related blocks. Now they collaborate across sectors more often in order to address cross-cutting issues. This cooperation is important in order to champion the needs of service users, who face a growing complexity of service provision. Regulators need to do more to bridge the regulatory gap. Recent government proposals to reduce the number of regulators to four will help to limit duplication of activity and thus the burden of regulation; it will mean regulators should find

it easier to manage the boundaries between their respective responsibilities and to represent the interests of users served by partnerships.

Strengthening audit

- 148** The Audit Commission has produced several audit diagnostic tools that address partnership risks. The toolkits comprise an eight-stage process that public bodies can use to review the corporate approach to partnership working and their management of specific partnerships (**Figure 14**).
- 149** The Audit Commission will help local public bodies to use this toolkit, which includes self-assessment tools and workshops and a specific module on partnership governance. It will work with audited and inspected bodies to support improvement in the light of new circumstances and needs that may arise, for example, from greater integration of planning and service delivery and from new policy initiatives such as local public service boards and LAAs, children's trusts, Integrated Governance in the NHS, pooled budgets and public interest companies.
- 150** The Audit Commission's *Code of Audit Practice 2005* (**Ref. 21**) explicitly addresses the need for auditors to follow the public pound into partnerships. Where appropriate, the Commission will consider specifying audit work across a partnership in a local area in order to undertake a collective assessment of how partners are engaging with each other, how they are managing risks and how well their corporate governance arrangements support the governance of the partnerships in which they engage.

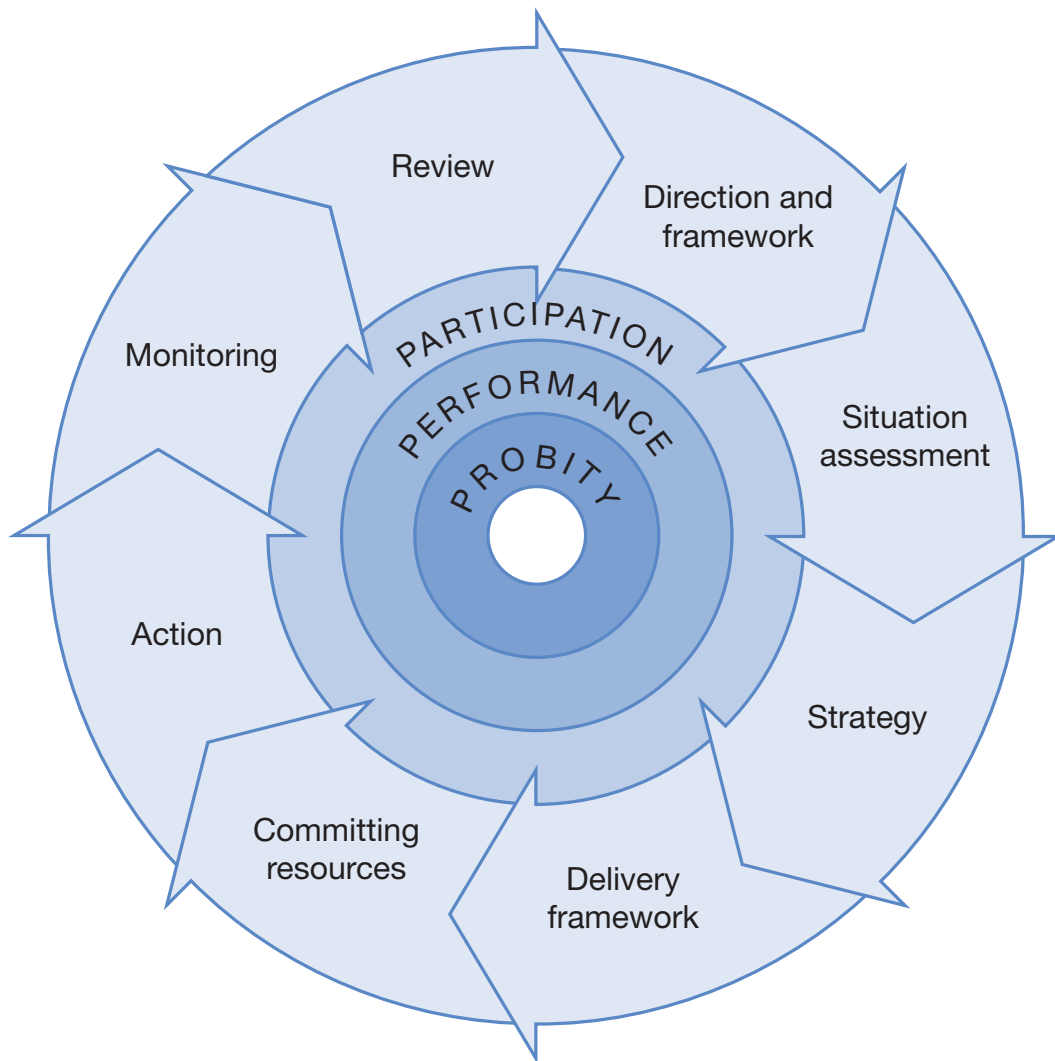
'[Auditors should] have regard to the fact that local government bodies operate and deliver their services in a range of partnerships and other forms of joint working or contracts with other public sector, voluntary or private sector bodies. Auditors should therefore consider whether they need to follow public money into and across such arrangements.'

'[The audited body's] corporate performance management and financial management arrangements form a key part of the system of internal control and comprise the arrangements for ... [inter alia] identifying, evaluating and managing operational and financial risks and opportunities, including those arising from involvement in partnerships and joint working.'

Audit Commission: Code of Audit Practice 2005 for local government bodies

Figure 14
Auditing partnerships

Public bodies can use an eight-stage process to review the corporate approach to partnership working.



Source: Audit Commission

Strengthening inspection

- 151** Comprehensive Performance Assessment (CPA) 2005, and the Joint Area Reviews of children's services, are examples of how the Commission and its co-inspectorates intend to work together to assess integrated multi-agency delivery in local areas. The Local Services Inspection Forum is the mechanism through which inspectorates can continue to ensure that they coordinate their activities, develop common methodologies and schedule joint work. Even where the Commission is not directly involved in inspecting services, it will share its learning with co-inspectorates in order to minimise the burden of regulation and support the development of a consistent methodological approach.
- 152** One example of this commitment is the methodological and directional support that we provided to the steering group for the criminal justice system's joint inspections of youth offending teams. A further example is our joint work with the National Audit Office and the Healthcare Commission. All three organisations are signatories to the *Concordat between bodies inspecting, regulating and auditing healthcare* (June 2004). This trend will continue and the new initiatives outlined in Chapter 1 will require further collaboration.
- 153** The revised CPA 2005 framework recognises that effective partnerships are the key to successful service outcomes. CPA 2005 will look at the strategic and operational impact of partnership working. Partners' views on how well councils undertake their community leadership and partnership roles will be important in determining the overall assessment score. We expect that this emphasis in CPA will be an important contributing factor in fostering change in service delivery.

Strengthening investigation

- 154** The Local Government Ombudsman and the Parliamentary and Health Ombudsman are working with the Cabinet Office and the ODPM to improve arrangements for joint working. They seek to improve the exchange of information on complaints that affect more than one jurisdiction. The Audit Commission welcomes this initiative, which should permit a single point of reference for the complainant where the issue affects more than one Ombudsman's jurisdiction.

- 155 We also welcome the new protocols for joint investigation of complaints which the Local Government Ombudsman has agreed with the Commission for Social Care Inspection. Discussions are taking place with the Police Complaints Commission to establish similar protocols.

Further initiatives to strengthen partnership working

- 156 The Audit Commission supports the principles set out in the *Good Governance Standard for Public Services (Ref. 22)*. If corporate bodies adopt these principles, it will strengthen their ability to govern their partnership work effectively. Partnerships will also find this document useful when they review their governance arrangements.
- 157 The Commission's Area Profiles initiative is considering how best to map the monies that central and local public agencies direct into local areas and to track how organisations spend this money. This should help to make partnership costs transparent and contribute to better value for money in partnerships. We plan to publish a revised set of quality of life indicators in the near future.
- 158 We have collaborated with the Improvement and Development Agency, the Chartered Institute of Public Finance and Accountancy and the Employers' Organisation to develop the *Improvement Network*. This website contains toolkits, guidance and case study examples that show how local authorities have improved services. Partnership working is one of the five key themes, and we will update this on a regular basis. Although the website focuses on local government, it contains much information about collaboration that applies across the public sector. Visit the website at:
<http://www.improvementnetwork.gov.uk/>
- 159 The Commission plans to develop a web-based self-assessment tool for audited and inspected bodies. It will include interactive, modular tools and guidance on partnership governance, value for money and user focus. We will place this on the Improvement Network website in due course. We have devised some basic questions to help local public bodies grapple with complexity and risk in governing their partnerships (Appendix 5).

Conclusion

- 160** Partnerships are an essential part of the pattern of public service provision. We believe that public bodies should work in partnership because partnerships bring many benefits that public bodies could not achieve by other means. However, we recognise that partnership working brings governance challenges. To date, central government, its regulators and public bodies have not fully grasped these costs and benefits.
- 161** Local public bodies need to know why they engage in partnerships and they need to be very honest with themselves and their partners about their individual and collective capacity to govern collaboration effectively. Rather than a headlong rush to partnerships, public bodies should base their decision to enter into and continue in partnership on a sound understanding of the risks and challenges, as well as the anticipated benefits. Where public bodies cannot manage the risks successfully, they should take the appropriate action to strengthen their own and partnerships' governance arrangements. If this is not feasible within the necessary timescale, organisations in voluntary partnerships should judge whether they might reduce the scale of their participation to a level where they reduce the risks.
- 162** The partnership landscape is complex and not easy to govern. Partnerships have to balance two objectives: they need to innovate to deliver better-quality services and collaborate to make service delivery seamless for the user, and they must protect the public pound at the same time, by managing risks and delivering value for money. Governance arrangements should make clear how partners can work together to achieve these objectives.
- 163** The form and organisational structures that public bodies use to deliver services is important only in that it helps to maximise benefits to service users and the wider public. If partnerships do not deliver better and more cost-effective services than organisations working separately then they should not continue. This report suggests ways to make this assessment. The Audit Commission will work through its own partnerships with other regulators to ensure that public bodies examine partnerships critically against this criterion.

Appendix 1: Participating organisations

Local authorities

Aylesbury Vale District Council
Birmingham City Council
Blackburn with Darwen Borough Council
Cambridgeshire County Council
City of Sunderland Council
Darlington Borough Council
Easington District Council
East Cambridgeshire District Council
Horsham District Council
Liverpool City Council
London Borough of Newham
Manchester City Council
Northumberland County Council
Portsmouth City Council
London Borough of Southwark
Stockton-on-Tees Borough Council
Telford and Wrekin Borough Council
Wigan Metropolitan Borough Council
Wolverhampton City Council

NHS bodies

Darlington PCT
Easington PCT
Mansfield PCT
Middlesbrough PCT
North Tees PCT
Southwark PCT
Surrey and Sussex Strategic Health Authority
University College London Hospitals Foundation Trust

Criminal justice agencies

Cleveland Police (Stockton division)
Durham Constabulary (Darlington division)
Durham Constabulary (Easington division)
Metropolitan Police (Newham division)
Metropolitan Police (Southwark division)

Fire and rescue

County Durham and Darlington Fire and Rescue Service
Gloucestershire Fire and Rescue Service

Other organisations

Darlington Community Partnership
Easington District CVS
Government Office South East
Government Office Yorkshire and the Humber
Healthcare Commission
Hereward Housing Association
Integrated Care Network
Keele University
National Community Safety Network
National Council for Voluntary Organisations
NHS Confederation
Portsmouth University
University College London Hospital
Housing Corporation

Appendix 2: What can go wrong in governing partnerships?

A local authority conceived a partnership project to regenerate a former mining area. The objective was to establish a centre of excellence for advanced digital technology, provide training and assistance in the use and application of information technology and act as a spur to further inward investment.

The project involved a range of partners – including the local Training and Enterprise Council (TEC) and a major international ICT company. It was successful in attracting European Regional Development Funding (ERDF). The council was the accountable body for the project, responsible for the delivery of agreed outputs in accordance with funding requirements. As accountable body, the council was liable to repay grant funding of up to £3.3 million if the conditions of grant were not met. The total investment in the project including infrastructure development amounted to £7 million.

The centre was launched as a limited company, but soon got into trading difficulties and was liquidated 18 months later. The council acquired the company's net assets for £0.7 million, including the centre premises, where it established a business centre. It also met other liabilities totalling £0.2 million. The council's total financial support for the project, including the initial £1.1 million investment, therefore amounted to £2 million. The council's subsequent attempts to deliver the original project outputs have not proved successful.

The project was an ambitious attempt to tackle some of the area's deep-seated problems using the sort of innovative approach encouraged by the Regional Challenge regime. However, the auditor identified significant failings in the planning and management of this project. His conclusions were as follows:

- As accountable body, the council was liable to repay grant funding if the conditions of grant were not met. Therefore, the council had a duty to minimise any risk to council taxpayers by ensuring that robust arrangements to manage the project were implemented, and to provide a strong lead to the partnership to ensure that the project met grant requirements. The council failed to do this.

- While the [government regional office's] consultants considered the project to be deliverable – a judgement on which the council placed great reliance – it was high-risk. The principal financial risk, of grant clawback, lay with the council. The council did not properly evaluate its own risks at the outset. Moreover, the outputs that the council had established for the project, and as accountable body was responsible for delivering, were very ambitious and ill-defined. The council argues that the output figures were accepted by [the government regional office].
- The council failed, at the outset, to establish the likely demand for the high-tech facilities proposed by the project. The bid document, which the council prepared with the aid of consultants, was unclear about the target market and how the project would be delivered. These were key weaknesses, given that the company had to find a market in a sector where the failure rate of new firms was high.
- The council did not make its own assessment of the company's business plan – by obtaining its own independent expert advice, for instance – to ensure that the project's risks were mitigated by robust arrangements. The council placed significant reliance on the expertise of the council's partners. A number of business plans were produced, involving input from the council's officers. Successive plans contained major changes in business assumptions and increasingly ambitious income projections. None of the plans set out how the outputs required for ERDF funding would be delivered – a key concern of the council as accountable body. The council did not properly assess its risks and consequently did not provide adequate information to members to enable the project's viability to be judged.
- The council failed to establish a monitoring and governance framework for the project. For instance, the council did not draw up procedures recognising the different roles of the partnership and [project] boards and their relationship to the council's responsibilities for the project. The council also failed to agree a protocol with [the company] to enable key financial and business information to be reported to the council's members, to overcome problems of commercial confidentiality. ...national guidance on protocols in this area was lacking at the time. However, as a result, the council's members did not always get a sufficiently full or timely picture of the company's problems and activities. Moreover, the outputs that were relevant to the ERDF grant were not effectively monitored.
- [The project] failed for a number of reasons. The company was unable to balance its commercial ethos with its public service objectives. In consequence it generated neither adequate sales nor the agreed outputs. Consultants concluded that the

company was not well managed and lacked leadership. The council also failed to lead and coordinate the efforts of the various partners...

- ...the council bore most of the risk as accountable body, but did not implement arrangements to ensure its risk was minimised. In consequence, the council did not adequately protect the interests of council taxpayers.

Appendix 3: References

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