

**BRISTOL CITY COUNCIL
AUDIT COMMITTEE**

16 April 2010

Report of: Strategic Director (Resources)

Title: Grant Thornton & Audit Commission - West of England Partnership - Review of Governance Arrangements

Ward: Citywide

Officer presenting report: Richard Powell, Chief Internal Auditor

Contact telephone number: 0117 92 22448

RECOMMENDATION

The Audit Committee note, and comment as appropriate, on the joint report issued by Grant Thornton and the Audit Commission.

Summary

The review focused on governance, project management and value for money as these are key risks associated with multi-agency partnership working. The review also considered the overall management arrangements of the WEP and also focused on one key project - the Waste Private Finance Initiative (PFI) Outline Business Case (OBC).

The report has been agreed by the four Authorities Chief Executive.

The significant issues in the report are:

The accountability and governance arrangements of the WEP are clear and effective but need to develop further to manage its complex strategies and high value projects being undertaken. In particular there need to be clear criteria for deciding which projects are best suited to the WEP and the role of Scrutiny in relation to the Strategic Partnership Board needs to be clarified.

There is a need to review the relationships between and scope of the Joint Scrutiny Committee, Strategic Partnership Board and other

structures within the WEP to ensure that each part is clear as to its own function and relationship to others

Performance is actively monitored and progress reviewed at operational and individual project level. However, at a strategic level performance management arrangements are under-developed. The Councils and the WEP have yet to clarify the role of each WEP committee in performance management and which aspects of performance should be monitored

Risk management arrangements are effective for individual projects, however joint risk management for the WEP at a strategic level is underdeveloped.

The WEP exhibited good practice in demonstrating that the waste PFI project represented value for money. However there are no mechanisms or measures through which the WEP overall can demonstrate value for money to the public

Policy

None affected by this report. The Audit Commission has statutory responsibility for inspection and assessment at the Council. Grant Thornton are the Council's appointed external auditors. In carrying out their audit and inspection duties they have to comply with the relevant statutory requirements. In particular these are the Audit Commission Act 1998 and the Code of Audit Practice with regard to audit, and the Local Government Act 1999 with regard to best value and inspection.

Consultation

Internal: Officers and members of Bristol City Council

External: Officers and members of partner authorities and the WEP partnership office

Grant Thornton's appointed auditor, John Golding, will be attending the Committee, and will be pleased to answer Members' questions.

Other Options Considered

Not applicable.

Risk Assessment

Not as a result of this report.

Equalities Impact Assessment

There are no issues arising from this report.

Legal and Resource Implications

None arising from this report.

Appendices:

Appendix 1: Review of governance arrangements: West of England Partnership report.

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers: None

Review of Governance Arrangements

West of England Partnership

(Bristol City, Bath and North East Somerset,
North Somerset and South Gloucestershire Councils)

Audit 2008/09

December 2009



Executive summary

Introduction

- 1 The West of England Partnership (WEP) was established to meet some of the challenges of providing public services and gaining inward investment across the West of England sub-region. It recognises that issues with a sub-regional impact, such as transport, spatial planning and infrastructure, growth and competitiveness, employment and skills and waste management are crucial to realising the potential and improving the quality of life in the sub-region and are better managed in partnership. The WEP is a relatively small organisation with an annual budget of £1.1 million but it manages projects of significant value, for example, the waste scheme will cost approximately £150 million. The WEP provides opportunities for securing funding and having a coordinated approach which is likely to offer better value for money and improved outcomes than through each council operating on an individual basis.

Audit approach

- 2 Our review focused on governance, project management and value for money as these are key risks associated with multi-agency partnership working. We reviewed the overall management arrangements of the WEP and also focused on one key project - the Waste Private Finance Initiative (PFI) Outline Business Case (OBC) - to evaluate their application in practice. This assessment included interviews with key staff within the WEP and individual councils and a review of documentation.
- 3 This is our first - and baseline review - of what is likely to be a series of reviews of the WEP. Future reviews are likely to focus more on specific joint projects such as transport and economic planning. This review was undertaken by a joint team from Grant Thornton (auditors to Bristol City Council) and the Audit Commission (auditors to the three other councils).

Main conclusions

- 4 The accountability and governance arrangements of the WEP are clear and effective but need to develop further to manage its complex strategies and high value projects. Through its management of the waste project to date the WEP has demonstrated that it provides a good basis for the councils to work together effectively to deliver complex partnership projects across the sub-region. For instance, the Partnership is able to reconcile differences in policy between the partners and still progress major projects in partnership.
- 5 Although performance and risk management arrangements are sound at the level of individual projects, these are not well developed at joint strategic level. Now that the Partnership is established it now needs a structured approach to determine those projects best delivered through the Partnership as opposed to other joint working arrangements. In addition the review and challenge process of the Partnership and its projects needs to be clearly set out to ensure that the Joint Scrutiny Committee understands its scrutiny role without being drawn into the management of projects itself. Strengthening these governance arrangements will help to provide reassurance that value for money is delivered on the increasingly more complex and high value projects being managed by the Partnership.
- 6 Our conclusions against each audit key line of enquiry are set out in the table below.

Table 1

Key Line of Enquiry	Summary conclusion
Accountability and Governance	The accountability and governance arrangements of the WEP are clear and effective but need to develop further to manage its complex strategies and high value projects being undertaken. In particular there need to be clear criteria for deciding which projects are best suited to the WEP and the role of Scrutiny in relation to the Strategic Partnership Board needs to be clarified.
Decision making	The WEP has an effective decision making structure and good agreements in place which support the delivery of projects. The WEP has demonstrated its ability and willingness to take difficult decisions, such as continuing with the PFI bid using a three Council model. There is a need to review the relationships between and scope of the Joint Scrutiny Committee, Strategic Partnership Board and other structures within the WEP to ensure that each part is clear as to its own function and relationship to others. Working in partnership on complex sub-regional issues to achieve long-term collective decisions requires effective systems and adequate time. While processes should be streamlined as far as possible the WEP and Councils need to set realistic timescales for projects and decisions which reflect this complexity.

Executive summary

Key Line of Enquiry	Summary conclusion
Project management	Project management is very effective as demonstrated by the successful delivery of the waste PFI Outline Business Case. The support of council staff and expertise to projects has been invaluable. To date this support has been on the basis of availability and there is a need to review the level of resources committed to projects from individual councils to ensure that each of the partners continues to view their contribution as equitable.
Performance management	Performance is actively monitored and progress reviewed at operational and individual project level. However, at a strategic level performance management arrangements are under-developed. The Councils and the WEP have yet to clarify the role of each WEP committee in performance management and which aspects of performance should be monitored. The link to performance management arrangements within individual Councils should also be reviewed to ensure that effective arrangements are in place and that duplication of effort is avoided.
Risk management	Risk management arrangements are effective for individual projects, however joint risk management for the WEP at a strategic level is underdeveloped.
Procurement management	Procurement management at project level is effective. The WEP demonstrated good practice in its procurement strategy. An example was using market testing to support the scope and structure of its PFI outline business case submitted to DEFRA. As a result prospective bidders were able to influence the procurement strategy. This provides improved prospect of making it more attractive to the bidders and hence make it a more competitive procurement.
Stakeholder and public engagement	Stakeholder and public engagement is strong. Good practice was demonstrated in the waste project in the use of the media and in engaging hard to reach groups. However there is further scope to use public relations to explain complex projects and concepts to stakeholders.
Value for money	The WEP exhibited good practice in demonstrating that the waste PFI project represented value for money. However there are no mechanisms or measures through which the WEP overall can demonstrate value for money to the public.

- 7 Our key recommendations are set out below. A full action plan is provided at Appendix 3.

Key recommendations	
R1	The Councils with the Partnership should develop criteria to decide which projects are best managed by the West of England Partnership and those which are best carried out at an individual Council level.
R2	The WEP and Councils should review the roles and relationship between the Joint Scrutiny Committee, the Strategic Partnership Board and the WEP Committees to ensure that all members of these groupings are clear about their respective roles and responsibilities.
R7	The Councils and the WEP to agree a joint performance management framework and define the performance management information required to support it - covering all aspects of the Partnership, not just the individual projects.
R8	The Councils and WEP to develop a joint risk register covering both individual projects and the partnership as whole.

Detailed report

The West of England Partnership

- 8 The West of England Partnership (WEP) was established by the councils of Bath and North East Somerset, Bristol City, South Gloucestershire and North Somerset to tackle challenges and take advantage of opportunities best addressed sub-regionally to make improvements in the economy, environment and quality of life for its communities. Key issues requiring a sub regional approach include transport, spatial planning, housing supply, infrastructure, waste, economic growth and competitiveness and employment and skills. The WEP has provided the Councils with a structured approach to support joint working and collaboration. It offers scope for securing funding and achieving value for money and improved outcomes than would be achievable from each council operating on an individual basis.
- 9 The WEP has a number of stated aims which include:
 - to realise the potential of the sub-region and deliver improvements in its economy, infrastructure, environment and quality of life for all its residents;
 - to set a vision and clear long-term direction to support the development and with all these delivery of key sub-regional strategies;
 - to promote the interests of the sub-region regionally, nationally, and in Europe;
 - to add to the confidence in the sub-region that attracts public and private investment;
 - to work more holistically in the interests of the sub-region; and
 - to provide the leadership and strategic capacity to secure the well-being of the sub-region.
- 10 The individual councils contribute to the running of the WEP via a structure of committees and boards (Appendix 1) which have individual terms of reference recommend strategies and priorities. They also make bids for investment and oversee delivery and performance. The main ones currently in place are:
 - Joint Transport Executive Committee;
 - Joint Waste Management Committee;
 - Planning, Housing and Communities Board;
 - Employment Skills and Board; and
 - Culture, Leisure and Tourism Group.

- 11 The WEP has agreed a long term plan for the sub region called 'The vision for the West of England in 2026 and delivery priorities'. This identified a number of delivery priorities for:
- Strategic capacity and leadership of West of England;
 - Quality of life;
 - Connectivity and accessibility; and
 - The economy.

Audit approach

- 12 This review of the WEP concentrated upon three main areas:
- Governance;
 - Project management; and
 - Value for money.
- 13 The review methodology was developed further to focus on a number of key lines of enquiry (KLOE). The KLOEs aimed to provide an overview of the WEP using an example project it had undertaken. The project chosen was the submission of the Waste PFI Outline Business Case (OBC).
- 14 The detailed report that follows is structured around the following KLOE:
- Accountability and Governance;
 - Decision making;
 - Project management;
 - Performance management;
 - Risk management;
 - Procurement management;
 - Stakeholder and public engagement; and
 - Value for money.
- 15 Further detail about the audit approach is provided in Appendix 2.

Accountability and governance

Summary

- 16** The accountability and governance arrangements of the WEP are clear and effective but need to develop further to manage the increasingly complex and high value projects being undertaken. In particular there needs to be clear criteria for deciding which projects are best suited to the WEP and the role of Scrutiny in relation to the Strategic Partnership Board needs to be clarified.

Areas of good practice

- 17** Maintaining transparent accountability and governance is important to an organisation such as the WEP. Each of the partner councils is both a partner to the WEP and a council in their own right and the balance between the two is important in demonstrating accountability.
- 18** The four Councils demonstrate their commitment to the WEP and recognise the benefits this form of collaborative working offers. This is illustrated by:
- the increased three-year budget approved by the Councils for the WEP and the associated increase in capacity;
 - a collective approach even when significant policy differences exist; and
 - undertaking the PFI project with only three Councils involved, yet maintaining commitment to the four council Joint Waste Strategy (JWS).
- 19** The PFI bid included a sample project based upon energy from waste. B&NES decided not to participate in the bid for funding but remained fully committed to the joint waste strategy and the WEP method of undertaking joint projects.
- 20** The Councils recognise that joint working is needed to successfully bid for funding on a sub regional basis and have used the WEP to take a clear lead in the coordination of bidding. This approach was successful in bidding for transport funding which was unlikely to have materialised on a council by council basis.
- 21** Members have engaged with the WEP and with their role in promoting and scrutinising projects. The joint approach to scrutiny has facilitated effective and prompt review of projects and has enabled decision making. This has been demonstrably effective in the case of the PFI OBC where the level and capacity of scrutiny contributed to the production of the final high quality product within tight deadlines.

Areas for development

- 22 The WEP is responsible for managing complex strategies and large scale projects and needs to demonstrate that it is effective in managing such cross council development. It is important that accountability and governance arrangements are under continuous review to ensure that they are fit for purpose at any point in time compared to the volume and complexity of strategies developed and projects undertaken.
- 23 Now that the Partnership is established, it needs a structured approach to assess whether projects coming forward would be best delivered through the Partnership or through other means. For example, by delivering projects through the councils working individually or through other joint working arrangements. Any option appraisal on establishing the best form of delivery should encompass value for money as part of the decision making criteria.
- 24 The role of Joint Scrutiny Committee (JSC) needs to be clarified. The terms of reference for the JSC are not clear about its relationship with the Strategic Partnership Board. This lack of clarity may have contributed to the JSC attempting to get involved with the selection of bidders for phase 2 of the waste strategy rather than providing review and challenge to the process.
- 25 Working in partnership on complex sub-regional issues to achieve long-term collective decisions requires effective systems and adequate time. It is important that the WEP and the Councils do not set unrealistic deadlines for projects and so fail to deliver. For example, the MAA is still in progress with the WEP actively working on the document even though it was due to be agreed some time ago.

Recommendation

- R1** The Councils with the Partnership should develop criteria to decide which projects are best managed by the West of England Partnership and those which are best carried out at an individual Council level.

Decision making

Summary

26 The WEP has an effective decision making structure and good agreements in place which support the delivery of projects. The WEP has demonstrated its ability and willingness to take difficult decisions, such as continuing with the PFI bid using a three Council model. There is a need to review the relationships between and scope of the Joint Scrutiny Committee, Strategic Partnership Board and other structures within the WEP to ensure that each part is clear as to its own function and relationship to others. Working in partnership and sub-regional issues are complex and mean it can take longer to make collective decisions. While processes should be streamlined as far as possible the WEP and Councils need to set realistic timescales for projects and decisions which reflect this complexity.

Areas of good practice

- 27** The WEP has a Strategic Partnership Board with membership from the four Councils and representation from social, economic and environmental partners. It is effective in providing guidance and facilitating joint working on strategic issues and other tasks which are better carried out sub-regionally.
- 28** The organisation of the WEP includes a Joint Scrutiny Committee (JSC) which is tasked with reviewing delivery of the current project portfolio. In addition there are specific service based committees for transport; spatial planning and housing; skills and employment; and waste.
- 29** The review looked at the effectiveness of the Waste Joint Committee (WJC) in making decisions in support of the PFI project. The WJC was able to support the production of the PFI Outline Business Case and support the pace of the project. The WJC had clear objectives which allowed it to work to a tight timescale, an example being the production of the PFI OBC. The delegation of powers for project scope and budgets also contributed to the WJC's effectiveness in supporting the OBC.
- 30** Decision making is effective. The WEP has demonstrated its ability and willingness to make and take difficult decisions, such as carrying on with the PFI bid using a three Council model. In parallel to the PFI project, all four councils were still fully engaged in the ongoing waste strategy. This resulted in the signing of the phase 2 waste project and ongoing planning for phase 4.
- 31** It is important that the individual Councils retain sufficient control over the WEP and its work. There is a clear balance between the powers and decisions delegated to the WEP and the ability of Chief Executives to call in decisions. The process for call in is time limited and has an agreed protocol which is not open ended. The individual Chief Executives retain the right to call in any decision of the WEP and within a set time period can query the decision with the aim of ratifying or rejecting the decision for their Council.

- 32** This decision making framework, the delegation arrangements with the WEP and the call in powers of Chief Executives ensures that the partnership arrangement does not overlap with the individual position of the four Councils. This means that there is confidence in the decision making process as there are no means by which a Council can have actions imposed upon it without prior agreement.

Areas for development

- 33** There are some differences within the Councils and the WEP in the understanding of the way the Joint Scrutiny Committee (JSC) operates and its effectiveness. This primarily relates to how the JSC dealt with its remit and workload in response to the challenging timetables imposed by the various phases of the waste project. Whilst there are terms of reference it is a concern that these were not sufficiently specific in the Constitution. When a forward plan is approved and reviewed, there is not a clear view which is shared at Member and officer level or by some members of the JSC.
- 34** For scrutiny to be effective the forward plan needs to set out what is going to subject to scrutiny and what is not. Arrangements for this need to be further developed, although we recognise that progress has been made to reduce the workload of the JSC. In determining its priorities more clearly, the Joint Scrutiny Committee will manage its workload and focus its effort on the high priority tasks.
- 35** In addition, there is need for members carrying out scrutiny to be supported with training or mentorship to be effective. The type of projects that are and will be subject to scrutiny at WEP are complex. Members will leave and be replaced and this will mean that ongoing support for the scrutiny function will be required. It is noted that there is a measure of mitigation through links to the Council's individual scrutiny arrangements.

Recommendations

- R2** The WEP and Councils should review the roles and relationship between the Joint Scrutiny Committee, the Strategic Partnership Board and the WEP Committees to ensure that all members of these groupings are clear about their respective roles and responsibilities.
- R3** The Councils and WEP should commit to providing training and support for Members representing Councils on the various Boards and Committees.
- R4** The Councils and WEP should determine an improved method for the Boards and Committees to allow the prioritisation of work carried out, focusing on high risk tasks.

Project management

Summary

36 Project management is very effective as demonstrated by the successful delivery of the waste PFI Outline Business Case. The support of the council staff and expertise to projects has been invaluable. To date this support has been on the basis of availability and there is a need to review the level of resources committed to projects from individual councils to ensure that each of the partners continues to view their contribution as equitable.

Areas of good practice

- 37** The WEP has undertaken a number of difficult and complex projects including the development of the Waste Private Finance Initiative (PFI) Outline Business Case (OBC). The WEP draws on the capacity of the Partnership Office, the authorities, strategic partners and specialist consultants for the capacity to manage the development of strategy and complex projects.
- 38** WEP was able to draw on the expertise and experience of the senior waste and environmental services officers and this was crucial in producing a high quality OBC delivered in a relatively short period. Whilst this assistance demonstrated commitment to the Partnership process, the WEP needs to recognise that such assistance on an ad hoc basis is unlikely to be available for future projects.
- 39** The three Councils involved in the PFI project fully supported the bid delivered to the Department for Environment, Food and Rural Affairs (DEFRA) and supported that project within the overall waste strategy framework.
- 40** In respect of the waste PFI, examples of contributions from the three Councils involved included:
- Bristol City Council's PFI experience from undertaking Building Schools for the Future;
 - the expertise of Waste Officers from each Council in providing inputs and skills to the Waste Committee; and
 - the authorities providing some project management capacity.

Areas for development

- 41 The Councils need to consider the cost of their individual contributions to WEP in terms of project management. Given the governance and delivery arrangements and complexity of the work, considerable amounts of Officer and Member time is used on WEP based projects. Whilst the individual Councils are committed to the WEP arrangements and the strategic role it can play in meeting sub-regional priorities, and a ‘federated’ approach to development and delivery, it is important to understand and manage priorities, costs and benefits.
- 42 It is difficult to recruit effective PFI project managers. The WEP were unable to recruit a project manager for the PFI project and the Senior Waste Officer from Bristol City Council covered this post. In addition, there were other tasks which a project manager would normally carry out which were covered by the WEP Chief Executive. Our review noted that whilst the production of the OBC was effective, we consider that it did rely on officer goodwill to a greater extent than effective project management.
- 43 Project management is costly in terms of time and money, and whilst the Councils have recently agreed a three-year increased budget for the WEP it is important that expectations of what the WEP can achieve are linked to the level of resources in the Partnership Office, officers in the authorities and strategic partner organisations.
- 44 This is important given the large and complex strategies and projects being undertaken by the WEP. As noted above, there is a need to have guidelines in place which set out the development and projects which are appropriately the responsibility of WEP from a value for money perspective. In parallel to this the Councils should agree criteria to judge the level of contribution from the Councils for projects which are deemed best carried out by the WEP.

Recommendations
R5 The WEP to agree and secure project management resources before starting projects.
R6 Councils need to agree how they will record the time and resources spent at each Council on WEP related tasks to allow proper review of project management costs and VFM.

Performance management

Summary

- 45 Performance is actively monitored and progress reviewed at operational and individual project level. However, at a strategic level performance management arrangements are under-developed. The Councils and the WEP have yet to clarify the role of each WEP committee in performance management and which aspects of performance should be monitored. The link to performance management arrangements within individual Councils should also be reviewed to ensure that effective arrangements are in place and that duplication of effort is avoided.

Areas of good practice

- 46 The overall level of review and scrutiny in respect of the waste PFI OBC was sufficient to provide effective performance management at project level.

Areas for development

- 47 Performance management arrangements need to be developed for the WEP as a whole. Performance information is not routinely reported to managers and Members at the Councils. The WEP and the Councils need to agree a method for monitoring and reporting performance which covers both individual projects and the overall operation of the partnership. There will be an increased need for a performance management structure as the WEP takes on larger and more complex projects.
- 48 Performance management arrangements should cover individual committees, the Strategic Partnership Board and WEP office. This would lead to a greater formalisation of reporting mechanisms and better scrutiny of performance.

Recommendation

- R7** The Councils and the WEP to agree a joint performance management framework and define the performance management information required to support it - covering all aspects of the Partnership, not just the individual projects.

Risk management

Summary

- 49 Risk management arrangements are effective for individual projects, however, joint risk management for the WEP at a strategic level is underdeveloped.

Areas of good practice

- 50 Our review focused on the Waste PFI OBC, which formed phase three of the waste strategy and included reference to arrangements for phase 2. In both phases the information provided for scrutiny, decision making and risk management purposes was sufficient for the project need.
- 51 The PFI risk register was set out in the PFI OBC and was sufficiently comprehensive for the project and covered all areas expected in a complex PFI deal. At project inception, a master risk register was developed as part of the Project Initiation Document, this being a component of Prince 2 methodology.
- 52 The Joint Waste Board was responsible for the monitoring and reviewing the risk register and also for agreeing mitigating actions. The initial risk register was comprehensive and provided the expected range of risks for a PFI project. The principle work activities against which the risk measures were assessed were also comprehensive. The WEP gained support for their approach from the Gateway Review which noted the risk register to be excellent and had been astute in capturing high level risks.
- 53 The risks for the PFI scheme were also allocated between the public and private sectors. This was also clearly set out in the OBC and was a result of risk allocation workshop which was attended by key officers for legal, financial and waste alongside the main advisors for the project.

Areas for development

- 54 WEP strategic risks are not collectively managed and reported. There is no joint consideration of risks. A key risk in the PFI scheme was the withdrawal of the one of the partners. Whilst it is clear that the possibility of this occurring was evident to the individual Councils, a strategy for dealing with the consequence was not recognised as part of the formal risk arrangements. The PFI risk register did make reference to political risk however the risk about partners withdrawing was not referred to.
- 55 The Councils and WEP should consider how they will record, report and respond to risk both at the individual project level and at the WEP level. In recognising that the risk management for the PFI was good, this was at least partly driven by the requirement of the OBC submission. There is a need to ensure that future projects are properly supported from a risk management point of view.

Risk management

56 From our review, a number of possible omissions were noted including:

- Succession planning - much of the knowledge at the WEP is vested in the Chief Executive and a few key staff;
- Capacity to meet future projects; and
- Changes in individual council policy.

Recommendation

R8 The Councils and WEP to develop a joint risk register covering both individual projects and the partnership as whole.

Procurement management

Summary

57 Procurement management at project level is effective. The WEP demonstrated good practice in its procurement strategy. An example was using market testing to support the scope and structure of its PFI outline business case submitted to DEFRA. As a result prospective bidders were able to influence the procurement strategy. This provided an improved prospect of making the project attractive to bidders and hence made it a more competitive procurement.

Areas of good practice

58 The WEP and the four Councils have embarked upon a four phase Joint Waste Strategy and the PFI formed phase 3 of this strategy. The overall waste procurement strategy was matched to the phased approach, the phases being designed to reflect:

- the outcome of public consultation;
- the need to manage the Landfill Allowance Trading Scheme risk; and
- the desire to accommodate emerging technologies as the phase's progress.

59 The overall procurement strategy was therefore suitably matched to a phased approach which allowed maximum flexibility of approach and allowed access to changes in technology, and as it has proved, the ability to react to the issues arising from the cancellation of the phase 3 project.

60 The WEP recognised that PFI projects are different from other sorts of project and procurements. The key difference being that the OBC (provided to DEFRA) requires a reference project to be included, which is used to set the maximum level of PFI credits which will be awarded. However, prior to submission of the business case, the WEP ensured that it had a package which was likely to attract market interest. Part of the strategy included soft market testing and a bidder's day. Had it proceeded these activities would have both contributed to the success of the PFI procurement.

61 'Competitive Dialogue' had been chosen as the proposed procurement methodology which is appropriate for a complex deal such as a PFI contract. A review of procurement management and strategy as set out in the OBC showed that the WEP had an excellent procurement management strategy which was compliant with European Union regulations and would have allowed the market to properly bid for the contract with clear knowledge of important subjects such as the risk matrix, the output specification and the agreed Joint Waste Strategy.

Areas for development

62 We identified no areas for development in procurement management.

Stakeholder and public engagement

Summary

63 Stakeholder and public engagement is strong. Good practice was demonstrated in the waste project in the use of the media and in engaging hard to reach groups. However there is further scope to use public relations to explain complex projects and concepts to stakeholders.

Areas of good practice

64 Stakeholder and public engagement has been effective and demonstrates good practice. This is particularly evident for the PFI business case and the joint waste strategy. The WEP and the Council made great efforts to keep the public, the main stakeholder in waste disposal and management, informed and provided opportunities for feedback and input into the individual waste projects and the strategy as a whole.

65 Key activities undertaken included:

- public meetings and events;
- an emphasis on hard to reach stakeholders;
- the use of incentives to encourage attendance at public meetings;
- poster and booklet campaigns;
- media coverage; and
- the use of a dedicated website to provide additional opportunities for public access.

66 The aim of the stakeholder communication was to:

- aid the explanation of the various waste outcomes and what needed to be done to the waste;
- allow public opinion to be aired on waste management;
- allow the commitment to recycling, reuse and reduction to be confirmed;
- set out why action was required; and
- provide such information to facilitate public contributions to the debate.

67 Other methods included the use of meetings with environmental groups as interested stakeholders and having an event for the producers of commercial and industrial waste which aided special interest groups access to information.

Areas for development

- 68** The relative positions of the Councils and WEP are not well differentiated in public communications. There is a need to clearly explain the position of the Councils as elected bodies and the WEP. This should include the means the Councils use with strategic partners to develop long-term direction and strategies, carry out project work and attract funding to the sub region.
- 69** Any agreed communications strategy will need to be agreed between the Councils and the WEP so that duplication of effort is avoided and a consistent message is produced. The Councils and WEP need to decide how they should use communication in the future.
- 70** There would also appear to be opportunities for the WEP and the Councils to invest further in public relations. This may be important when the WEP is involved in complex and difficult to explain projects. There may be lessons to be learned from the PFI deal in how difficult messages are communicated to external stakeholders.

Recommendations
R9 The Councils and WEP should agree their respective roles in a communications strategy.
R10 The Councils and WEP should agree a communication strategy on a project by project basis.

Value for money

Summary

- 71** The WEP exhibited good practice in demonstrating that the waste PFI project represented value for money. However there is no mechanism or measures through which the WEP overall can demonstrate value for money to the public.

Areas of good practice

- 72** Good practice was demonstrated in the waste PFI OBC where the WEP used Treasury-recommended qualitative and quantitative assessment models for the project. Value for money was also tested using a variety of change factors to simulate changes in assumptions. 'Optimism bias' was included in the assessment which allows for increased costs during the PFI credit application process and into the procurement phase. This is good practice.
- 73** The outcome of using the Treasury Model was that the sample project demonstrated value for money. The Treasury sets targets for project value for money and the WEP proposal exceeded the required target. The achievement of value for money was further tested in a sensitivity analysis which reviewed key components of project costs. The sensitivity analysis provided additional evidence that the sample project represented value for money.

Areas for development

- 74** The WEP has no mechanism or measures through which it can demonstrate value for money to the public for the partnership as a whole. A partnership approach should represent better value for money but this needs to be demonstrated rather than assumed.
- 75** Not all projects are subject to the strict application criteria of PFI so there is a need for a framework for assessing the value for money of individual projects. This applies to proposed individual project outcomes and also to the content and scope of projects. A particular outcome will have a number of potential solutions and value for money will be a key selection factor.

Recommendations

- R11** The Councils with the Partnership should develop value for money measures for the WEP as a whole.
- R12** The Councils and WEP should develop value for money frameworks for all individual projects.

Appendix 1 – WEP structure

A Councils		Cabinets	
Bath and North East Somerset	Bristol	North Somerset	South Gloucestershire

B Strategic Partnership Board
Leaders of Council plus 2 Councillors from each Council; Social, Economic and Environmental Partners and Strategic Partner Organisations/Observers

C Council leaders	Joint Executive Committees	Boards		Specialist Groups	SEEPs, Partners and Strategic Organisations
	Transport Waste Management Cabinet Members	Planning, Homes and Communities Cabinet Members	Employment and Skills Employers, Economic and Partner Agencies	Culture, Leisure and Tourism Cabinet Members Non Executive Strategic Partners and Agencies	
Work with Social, Economic and Environmental Partners and Strategic Partner Organisations					

D Joint Scrutiny Committee
Transport; Waste; Planning Housing and Communities; Economy and Skills
Cross-Party Members, Strategic Partners and Agencies

E Delivery vehicle (being developed)	Homes West
Commission delivery of transport, waste and housing infrastructure (accountable to Partnership Board)	RSL Consortium delivering affordable homes

F Specialist Officer Groups	Partnership Office

Source: WEP website

Appendix 2 – Audit approach

1 This project comprised:

- An assessment of the risks which are likely to occur in multi councils projects which were:
 - Governance;
 - Value for money; and
 - Project management.
- The agreement to use a 'probe' to demonstrate the assessment of risks. The probe selected was the Waste PFI outline business case. Additional review work was carried out on the WEP waste strategy and the outcome of Phase 2 of the waste strategy procurement exercise.
- The production of a set of key lines of enquiry (KLOEs) as a basis of the work and for reporting. These were:
 - Accountability and governance;
 - Decision making;
 - Project management;
 - Performance management;
 - Procurement management;
 - Stakeholder and public engagement; and
 - Value for money.

The review work was based upon:

- Site visits to the West of England Partnership and interviews with:
 - The Chief Executive;
 - The Waste PFI project manager; and
 - Other key WEP staff.
- Site visits to each of the Councils and interviews with:
 - The Chief Executive of each Council;
 - The senior officer responsible for waste management; and
 - Members involved with WEP.

- Document reviews were carried out, including:
 - The Waste PFI OBC.
 - West of England Partnership documentation including:
 - Joint agreements;
 - Committee terms of reference; and
 - Working structures.

The outputs from the work carried out resulted in:

- a presentation of the findings of the review to the Council Chief Executives in the form of a draft findings matrix for comment;
- a draft report submitted for comment, including a draft action plan; and
- a final report.

Appendix 3 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
Accountability and governance						
10	R1 The Councils with the Partnership should develop criteria to decide which projects are best managed by the West of England Partnership and those which are best carried out at an individual Council level.	3	WEP, Councils and the Partnership Board	Yes	WEP to draft core criteria for approval by Councils and the Partnership Board Leaders of Council 18 December Links to R12 below	February 2010
Decision-making						
12	R2 The WEP and Councils should review the roles and relationship between the Joint Scrutiny Committee, the Strategic Partnership Board and the WEP Committees to ensure that all members of these groupings are clear about their respective roles and responsibilities.	3	WEP	Yes	Further develop and communicate the existing terms of reference, priority setting arrangements and working methods. <ul style="list-style-type: none"> Leaders of Council 18 December Joint Scrutiny Committee 22 January Joint Committees/ Boards in February 	February 2010

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
12	R3 The Councils and WEP should commit to providing training and support for Members representing Councils on the various Boards and Committees.	2	WEP/Councils' Democratic Services/Councilor training officers	Yes	Discussion and proposals to Boards/ Committees in March cycle of meetings. <ul style="list-style-type: none"> • Support now provided by new Partnership Secretary. • Further workshops focusing on specific issues to be organised by the Partnership Office¹ and Councils. • Concise information pack to be prepared and promoted. • Other support/training is provided by councils • Council training officers to consider how information on WEP can best be provided at induction. 	March 2010
12	R4 An improved method should be determined for the Boards and Committees to allow the prioritisation of work carried out, focusing on high risk tasks.	2	WEP Chief Executive with Chairs of Boards and Committees	Yes	Discussion with Chairs in February and March Further improved arrangements from June Annual meetings.	June 2010

¹ Examples of workshops:
 Joint Scrutiny Committee: 14/11/08 on Regional Investment Planning & Prioritisation, which prepared them for consideration of RFA2 on 12/12/08
 Planning, Housing and Communities Board: 16/7/09 on the Joint Core Waste Strategy, prior to consideration of the Draft JWCS Submission Document on 7/9/09

Appendix 3 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
Project management						
14	R5 The WEP to agree and secure project management resources before starting projects.	2	WEP Chief Executive, Councils and Strategic Partner Organisations	Yes	In each case negotiate blend of contributions from existing resources in the Partnership Office, Councils and Strategic Partner Organisations, based on PID objectives, milestones and risks.	January 2010
14	R6 Councils need to agree how they will record the time and resources spent at each Council on WEP related tasks to allow proper review of project management costs and VFM.	2	Councils and WEP Chief Executive	Yes	Through: <ul style="list-style-type: none"> • PIDs and Project Management Boards; • Management of agenda of specialist Officer Boards; • Prioritisation of Partnership Boards and Committees; • Performance Management Framework; and • Standard report to March meetings. 	March 2010
Performance management						
15	R7 The Councils and the WEP to agree a joint performance management framework and define the performance management information required to support it - covering all aspects of the Partnership, not just the individual projects	3	WEP and Councils	Yes	Framework to: <ul style="list-style-type: none"> • Chief Executives: 4 December • Leaders of Council: 18 December • Joint Committees/ Boards in February 	February 2010
Risk management						
17	R8 The Councils and WEP to develop a joint risk register covering both individual projects and the partnership as whole.	3	Senior Responsible Owners, WEP Chief Executive, Councils' Chief Executives	Yes	Chief Executives: 4 December Leaders of Council: 18 December	December 2009

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
Stakeholder and public engagement						
20	R9 The Councils and WEP should agree their respective roles in a communications strategy.	2	WEP Chief Executive and Council Development Directors	Yes	Chief Executives: 5 February	February 2010
20	R10 The Councils and WEP should agree a communication strategy on a project by project basis.	2	Senior Responsible Owners WEP and Council Media & PR officers	Yes	In place for all transport and some other projects (examples attached). Remainder to be completed Complete remainder by February All to be reviewed at Project Boards in March	March 2010
Value for money						
21	R11 The Councils with the Partnership should develop value for money measures for the WEP as a whole.	3	Council Chief Executives WEP Chief Executive	Yes	Chief Executives: 5 February Leaders of Council: 10 March	March 2010
21	R12 The Councils and WEP should develop value for money frameworks for all individual projects.	3	WEP with Senior Responsible Owners 110	Yes	Links to R1	March 2010

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, audio, or in a language other than English, please call 0844 798 7070.

© Audit Commission 2009

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

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

Tel: 0844 798 1212 Fax: 0844 798 2945 Textphone (minicom): 0844 798 2946

www.audit-commission.gov.uk
