



**O.S.B. 9TH AUGUST 2005
EXECUTIVE 30TH AUGUST 2005**

**AUDIT COMMISSION REPORT – LSP GOVERNANCE
ARRANGEMENTS**

DEPUTY MAYOR

DIRECTOR OF REGENERATION

30TH AUGUST 2005

PURPOSE OF THE REPORT

1. To seek the Executive's approval for the actions being undertaken in response to the Audit Commission's report into LSP Governance arrangements.

BACKGROUND AND EXTERNAL CONSULTATION

2. In January 2005, the Audit Commission carried out research into governance arrangements for the Middlesbrough Partnership. In its final report dated May 2005, it states:

“The first two years of accreditation of Local Strategic Partnerships (LSPs) by Government Offices focused on the development of partnerships and Local Neighbourhood Renewal Strategies. This year the emphasis has been on the arrangements LSPs have in place to monitor their performance and ensure they are delivering improvements to the quality of life in deprived areas. LSPs also need to demonstrate good governance arrangements and value for money to ensure that Neighbourhood Renewal Funding (NRF) is being spent

in the most appropriate way. Middlesbrough LSP is one of the largest recipients in the country of NRF grant.

The overall objectives of this work are to assess:

- the organisational governance arrangements of Middlesbrough's LSP and NRF projects; and
- the extent to which the partnership can demonstrate how it achieves value for money and how it targets resources effectively."

3. In conclusion, the Audit Commission found a great deal of positive progress with generally strong and clear systems and processes in place. The following quotes are taken from the Audit Commission report. N.B. references to the "executive", refer to the Middlesbrough Partnership Executive, not the Council's Executive.

4. Relating to terms and conditions and formal agreements within the Partnership:

"Terms and conditions and formal agreements within the partnership are clear in most cases. The LSP has developed a comprehensive partnership handbook which provides a clear structure for all partners to be able to understand the background and context to the work of the LSP and their expected individual roles, responsibilities and codes of conduct.

The exception to this relates to the roles of the chairs and of the seven thematic action groups where they are not specifically defined. There is a need for partners at all levels to have a better understanding of these roles.

The membership of the board reflects the requirements set out in government guidance on Local Strategic Partnerships and is inclusive of stakeholders in the public, private, voluntary community and faith sectors. However, representation may not currently be reflective of the community. The LSP is reviewing these arrangements and it is the role of the Community Empowerment Network (CEN) and Middlesbrough Voluntary Development Agency (MVDA) to develop representation which is reflective of the community in all its diversity."

5. Systems and processes, scrutiny arrangements and reporting:

"The LSP's performance management system has been significantly improved following the LSP validation report. The Council is working well with the LSP to improve monitoring and managing of performance.

Project monitoring, management and reporting are robust. Monitoring forms and guidance notes are sent to participants in advance quarterly. One-to-one assistance and workshops are provided by the Council's NRF unit to ensure compliance and understanding; this has resulted in 100 per cent attendance at seminars. These measures lessen the risk of poorly completed forms and programme slippage. Performance against the planned programme is scrutinised by the LSP action groups each quarter and any remedial action is undertaken by the NRF manager in conjunction with the LSP action groups

and executive. Annual service level agreements are put in place for each project.

Programming of NR funding has been adjusted in the light of learning from previous years' budget variances. There is now an improved system of prioritised back up schemes to slot in should under spending occur. Budget monitoring is robust and transparent. The LSP has undertaken a comprehensive analysis and review of service delivery against the partnership's six strategic priorities" (as required by the Neighbourhood Renewal Unit for performance management purposes. NB Middlesbrough Partnership was one of only two LSPs in the region to meet Government deadlines for reporting the outcome of its performance management framework.)

6. Procurement arrangements:

"The partnership has improved its processes for the allocation of NRF. The bids to the executive from the thematic groups for 2005/06 funding are now clearly linked to the partnership's strategic priorities. For example, the economic vitality working group has followed a robust and transparent process to allocate the remaining NRF funding. Resources are targeted on clearly identified priorities: innovation to stimulate business growth, housing market renewal and reducing incapacity benefit claimants.

The LSP and the Council is benefiting from the recent introduction of a funding project team.

The bidding process for NRF has also been improved to be offered to a much larger range of interested parties through opening it up to more than just the thematic action group members. This has enabled a larger range of opportunities to deprived neighbourhoods. Prioritisation between strategic priorities however is less clear and there is currently no transparent process in place to demonstrate the rationale behind the overall allocation across themes or the percentage of intervention represented by NRF funding. The economic vitality action group has identified the need for additional staff support to enable it to operate effectively but at present there is no indication of how the partnership will secure the required additional resources."

7. Communication, user focus and complaint handling:

"The LSP encourages the community to engage with it and demonstrates good user focus. It has also developed a partnership engagement framework to try to ensure that consultation is carried out to high and consistent standards. The (2002) community strategy has been distributed to all households and is available in a wide range of languages and formats. The partnership is seeking to improve democratic engagement further by taking part in the Civic Pioneer Areas Initiative...

The partnership does not formally record complaints relating to NRF or the LSP."

8. Leadership, standards of behaviour and roles and internal and external accountability of the individual partners:

“There is effective chairing of LSP and thematic action groups. Representation from partner organisations is generally consistent. Training and development of partners to be fully able to participate at all levels is developing. All partner representatives are offered induction training on a one to one basis from support officers and this is also backed up by the MVDA and CEN. This has resulted in community and voluntary partners becoming more confident to challenge issues and arrive at mutual agreement and ensures that all members of the group are able to understand and contribute to the discussion and decision-making process. Decision-making has recently been further improved. Interested parties are excluded from presenting or commenting on their own bids. This lessens the risk of undue partner influence over strategy formulation and the bidding process. However, these measures are not formally monitored for compliance and there is a risk of stronger partners exerting undue influence.

The partnership handbook has a robust code of conduct which all partners must adhere to. The LSP has no procedure for dealing with breaches of this code but is now adopting an amended process used in MBC to deal with an emerging issue. Lack of procedures such as these inhibits the partnership’s ability to deal with issues quickly and effectively.”

9. The Audit Commission concluded its report with the following recommendations which have resulted in an action plan for the Middlesbrough Partnership Team, within the Economic & Community Regeneration Service in the Regeneration Department.

10. Recommendations

“To ensure good governance arrangements within the LSP, the partnership should:

- clarify the roles of chairs and thematic action groups to ensure all partners understand their individual roles, responsibilities and codes of conduct;
- clarify how it will prioritise NR funding and intervention levels across the six strategic themes to ensure a transparent approach with clearer criteria is being adopted;
- undertake a review of support arrangements for the six strategic themes;
- adopt all the necessary procedures to ensure full compliance with the rules outlined in the partnership handbook; and
- develop a complaints-handling approach that not only records and deals with complaints consistently and provides opportunities to learn but also publicises the arrangements to encourage people to submit compliments or complaints.

Proposed follow-up work will undertake a more detailed study of:

- how new deal for communities funds are being managed;
- the working practices of the Council's regeneration programmes department;
- specific NRF funded projects to ensure that:
- they are monitored and reported on adequately;
- they are compliant with relevant council policies; and
- they have appropriate exit strategies in place.
- This work will be undertaken in the second quarter of 2005."

ACTION PLAN

10. The following action plan has been produced in response to the Audit Commission's work and a number of actions are already well underway or even completed. It has been integrated in the Economic & Community Regeneration Service Plan, thus ensuring its progress is regularly monitored as part of the Department's quarterly performance processes led by the Director of Regeneration and involving the Head of Economic & Community Regeneration and Middlesbrough Partnership Manager.

MIDDLESBROUGH PARTNERSHIP	Milestone / Target	Lead Officer	Progress to 28th July 2005
<ul style="list-style-type: none"> • Clarify the roles of chairs and thematic action groups – Agree Terms of Reference for role of Chairs of Action Groups – Review and update Terms of Reference for Action Groups, including roles of responsibilities of individuals – Copy Code of Conduct to Action Group and cluster representatives. 	31/7/05	Pam Groark	Partnership Board approved roles in May 2005. Copies of the Code to go the clusters for adoption at their agms in September and to Action Group members at the same time.
<ul style="list-style-type: none"> • Clarify how LSP will prioritise Neighbourhood Renewal funding – Once ODPM reports on NRF allocation for 2006-08, report to LSP Board, using PMF data, to prioritise allocation by theme. 	Awaiting ODPM announcement	Rob Mitchell / Diane Ward	2006-08 NRF allocation announced in late July, but awaiting ODPM announcement on how NRF should be targeted.
<ul style="list-style-type: none"> • Undertake a review of support arrangements for the LSP's 6 themes – Report with proposals to LSP Board 	30/9/05	Rob Mitchell	Early discussions with Action Group lead officers underway with a view to producing a further report in September.

MIDDLESBROUGH PARTNERSHIP	Milestone / Target	Lead Officer	Progress to 28th July 2005
<ul style="list-style-type: none"> • Adopt procedures to ensure full compliance with rules in partnership handbook – Disciplinary policy adopted 26/1/05 	31/1/05	Rob Mitchell	Done. Middlesbrough Partnership adopted its disciplinary policy at the January Board meeting.
<ul style="list-style-type: none"> • Develop a complaints-handling approach – Seek Council permission and LSP support to adopt Council Complaints and compliments procedure 	31/7/05	Rob Mitchell	Discussions commenced with the Council's Corporate Complaints Manager to explore possibility for LSP complaints to be handled through the Council system.

OPTION APPRAISAL/RISK ASSESSMENT

11. The actions listed above would be seen as good practice and strengthen the Middlesbrough Partnership's processes. They will also ensure the Council's responsibilities in respect of the Middlesbrough Partnership and Neighbourhood Renewal Fund (as accountable body) are fulfilled.

FINANCIAL, LEGAL AND WARD IMPLICATIONS

12. There are no specific implications arising from the action plan. The support of the Council's Director of Legal and Democratic Services has been valuable in developing a robust disciplinary procedure.

SCRUTINY CONSULTATION

13. This report will be presented to Overview and Scrutiny Board on August 9th 2005.

RECOMMENDATIONS

14. It is recommended that the action plan be approved and the current progress be noted.

REASONS

15. The actions recommended by the Audit Commission will enhance the Partnership's processes and strengthen the Council's role as community leader and accountable body for Neighbourhood Renewal Fund.

BACKGROUND PAPERS

16. Audit Commission report, "Governance Arrangements – Local Strategic Partnership, Middlesbrough Council", May 2005.

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