

Report of	Meeting	Date
Director of Finance and Director of Policy and Performance (Assistant Chief Executive) (Introduced by the Executive Member for Resources)	Executive Cabinet	24 th May 2007

A FRAMEWORK FOR PARTNERSHIP WORKING

PURPOSE OF REPORT

- To seek members' approval of the attached Framework for Partnership Working, which conforms with current best practice in the way that partnerships involving the Council should be governed and managed.

CORPORATE PRIORITIES

- Partnership working is now central to the Government's improvement and inspection agendas. It is therefore essential that we ensure that Chorley's partnership arrangements help meet our corporate priority of being a performing organisation.

RISK ISSUES

- The issues raised and recommendations made in this report involve risk considerations in the following categories:

Strategy	3	Information	
Reputation	3	Regulatory/Legal	
Financial	3	Operational	3
People	3	Other	

- Effective governance and management arrangements for partnership working underpin the achievement of all the Council's strategic objectives. Should any key partnership fail this would have a significant financial impact, affecting its staff and ultimately the Council's reputation.

BACKGROUND

- Working in partnership with other organisations to deliver jointly agreed objectives is now considered essential to the delivery of effective public services and local authorities in particular, are expected to initiate, lead and engage in partnership working.
- The Local Government White Paper contains a clear expectancy that greater collaborative working will be central to transforming local services. Collaborative arrangements may not always result in a partnership, however it is important that wherever this might happen, effective partnership controls and procedures are in place to protect the Council's interests.

7. At the highest level, the Council is expected to play a leading role in the Local Strategic Partnership (LSP) by working in collaboration with other public, private, voluntary and community organisations to deliver better outcomes for local people.
8. Partnership arrangements also represent a key service delivery option available to the Council and they may also provide a potentially important source of funding (for example PFI, PPP's etc.).
9. As a result, effective partnership working now underpins the improvement and inspection agenda, including the new district CPA regime, Use of Resources assessment and CIPFA SOLACE Corporate Governance Framework.
10. In their recent Use of Resources report, the Audit Commission made several recommendations regarding the Council's partnership management arrangements, including the need to:
 - Adopt a formal assurance policy framework to manage partnership risks
 - Identify the Council's significant partnerships and ensure that there are appropriate governance arrangements in place for each of them
11. A review of the Council's partnership working arrangements has recently been completed by Internal Audit, who as part of their review produced a revised "Framework for Partnership Working" (attached) to encompass best practice and in so doing address the above Audit Commission recommendations.
12. The revised Framework has now been reviewed / endorsed by Strategy Group and the remaining paragraphs summarise and explain the main provisions:

REVISED FRAMEWORK PROVISIONS

13. The Director of Finance has now assumed corporate responsibility for the oversight of partnership working, including the production / maintenance of procedural guidance. This responsibility will be added to the corporate procurement role under their corporate contract management remit. Close liaison with the Director of Policy and Performance to ensure that corporate standards are also applied to the Local Strategic Partnership (LSP) will be necessary.
14. The Audit Commission's definition of partnerships has been adopted, which states that a partnership is " an agreement between two or more independent bodies to work collectively to achieve an objective".
15. Officers wishing to involve the Council in a key partnership arrangement are required to report this to the Executive Cabinet and seek formal approval of the proposed arrangement. A key requirement will be to demonstrate clear linkage with the Council's strategic objectives. Indeed the Council should consider the benefits of continuing in any arrangement, which does not contribute significantly in that regard.
16. It is proposed that an annual report be submitted to the Executive Cabinet by the Director of Finance setting out how each of the key partnership's objectives and targets have been achieved. Additionally this report will contain an assessment of the financial well-being of each of the key partners and will highlight any other issues that need to be brought to members' attention.
17. The new framework states the importance of establishing what the Council's key partnerships are and the more substantive governance and risk management arrangements that these should be subject to. The following governance disciplines should however, be applied to every partnership, irrespective of its remit or status:

- Clear commonality of interests
- Sound business case based on an Impact assessment
- Clear outcomes aligned to the Council's strategic objectives
- Certainty over responsibilities & clear reporting lines
- Clear payment structure (where appropriate)
- Certainty over the ownership of insurable risks
- Internal Audit access arrangements
- Clear exit strategy

18. Officers are also required to follow HM Treasury / OGC guidance on the management of partnership risk. This includes the establishment of joint risk registers for all the Council's key partnerships.

COMMENTS OF THE DIRECTOR OF HUMAN RESOURCES

19. Not applicable to this report

RECOMMENDATIONS

20. That the report is noted and the revised Framework for Partnership working is formally approved.

21. That all key partnership initiatives are presented to Executive Cabinet, prior to any agreement being put in place.

22. That an annual report on all key partnerships' performance and where appropriate, financial well-being be submitted to Executive Cabinet by the Director of Finance.

REASON FOR RECOMMENDATION

23. To ensure that the Council continues to encompass best practice in partnership working and in so doing addresses the specific recommendations made by the Audit Commission in their recent Use of Resources report.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

24. None.

GARY HALL
DIRECTOR OF FINANCE

Background Papers			
Document	Date	File	Place of Inspection
"A Framework for Partnership Working"	2002	FINANCE DIRECTORATE	Union Street Offices
"Managing Risks with Delivery Partners" (HM Treasury / OGC)	2004		
CIPFA SOLACE Corporate Governance Framework	2006		

Report Author	Ext	Date	Doc ID
Garry Barclay/ James Douglas	5468	23 rd April 2007	Partnership Working Report

Chorley Council

Framework For Partnership Working



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1. BACKGROUND

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1.1 This policy framework meets the prevailing standards and recommended best practice as at December 2006 and in so doing addresses the issues raised by the Audit Commission following their original review of the Council's partnership management arrangements in 2002 and more recently in their 2006 Use of Resources report.

1.2 In particular it sets out the control procedures and processes that members and officers need to be aware of and apply whenever they are involved in partnership working.

1.3 It also supplements the guidance on partnership working that already exists within the Council, for example that contained in the Council Constitution and the Corporate Procurement Strategy.

2. WHAT IS A PARTNERSHIP?

2.1 A plethora of definitions exist to describe what actually constitutes a partnership. The Council has adopted the Audit Commission's general definition contained in "Governing Partnerships - Bridging the Accountability Gap" (2005):

"An agreement between two or more independent bodies to work collectively to achieve an objective".

2.2 The following are considered to be partnerships and therefore subject to this Policy Framework. This list is not exhaustive but covers the main areas of partnership working.

- **Local Strategic Partnership (LSP)**

Councils have been directed to enter into a LSP with all other local public sector service providers, together with the private and voluntary sectors, in order to improve outcomes for local people by working together on a multi-agency basis.

- **Joint Committees**

Under Section 101 of the Local Government Act 1972, where 2 or more local authorities wish to undertake joint activities, they have power to set up a joint committee. An example of this would be the setting up of a joint committee for purchasing across more than one Council area.

- **Charities and Trusts**

Increasingly, local authorities have been setting up bodies with charitable status to provide services that had previously been provided directly by the local authority, in areas such as housing, leisure and social services. This Council has for example set up a trust to operate some of its leisure facilities.

- **Companies**

Sometimes it is advantageous for councils to be involved in setting up companies for specific purposes. They can have various structures (for example limited liability by shares or by guarantee) and Chorley has previously used this vehicle in some circumstances.

- **Contractual Arrangements with the Private Sector**

Examples of such arrangements include the development agreements for the Town Centre and the Gillibrand development.

- **Partnerships under legislation**

An example of this is the Community Safety Partnership.

- **Private Finance Initiative**

Should the Council obtain approval to such a project, this would involve private sector finance for construction work with the private sector then operating the services in the completed building.

- **Informal Arrangements**

This covers situations cases where Chorley wishes to work with other Councils, organisations or individuals to deal with specific problems or issues. As between Councils, these arrangements can be formalised into joint committees under Section 101 of the Local Government Act 1972.

For the purposes of this framework, the issuing of grants or the carrying out of collaborative procurements shall not in themselves constitute the formation of a partnership, although they may lead to a partnership in any resulting arrangement.

3. ESTABLISHING NEW KEY PARTNERSHIPS

3.1 The Council's strategic objectives and long-term outcomes are set out in the Corporate Strategy. Before entering into any new form of partnership working it is essential to be able to demonstrate clear linkage with strategic objectives. This is to ensure that resources are not unnecessarily diverted away from delivering on key priorities and targets by becoming involved in peripheral activities that do not tangibly contribute to the delivery of the Corporate Strategy.

3.2 Similarly it is essential to decide on an appropriate structure for any proposed partnership (e.g. company, charity, contract, etc) or indeed whether a formal structure is needed at all. The Director concerned must consult with the Director of Customer, Democratic & Legal Services regarding the structure for all key partnership arrangements.

3.3 Any proposal to enter into a new key partnering arrangement should be formally reported to and approved by the Executive Cabinet. Such reports must demonstrate:

- The consultation processes that have been followed (internally and with potential partners)
- The partnership's impact on strategic objectives
- Consideration of the Council's exposure to risk and the potential liabilities that could be imposed on the Council
- The intended structure and why
- Resource implications
- Arrangements for governance, risk management and control
- Member / officer accountabilities and terms of reference

4. THE COUNCILS EXISTING KEY PARTNERSHIPS

4.1 Clearly some partnerships are more important than others, in terms of:

- Their impact on the delivery of the Council's strategic objectives
- The extent of the Council's reliance on its partners to deliver core services
- Their financial value
- The scale of human and other resources involved
- Where long term commitments exist
- Where there is a significant degree of innovation / risk

4.2 Taking these factors into account, the following are considered to be the Council's key partnerships (as at December 2006):

- The Chorley Partnership (LSP)
- Community Leisure Services
- Cleanaway
- Glendale
- Chorley Community Housing
- Property Services
- South Lancashire Arts Partnership
- Lancashire Waste Partnership
- Shared Services Contact Centre Partnership
- Bolton MBC Health & Safety Partnership

4.3 It is important to differentiate between these and other partnerships as the degree of governance and risk management discipline that needs to be applied should be scaled accordingly. This list needs to be kept under review and amended to reflect any change in status or to accommodate important new partnerships.

4.4 Managers should contact the Corporate Procurement and Partnerships Manager for guidance and advice on any new partnership arrangements.

5. GOVERNANCE

5.1 The success of any partnership depends largely on having an effective system of governance and control in place. With regard to the Council's key partnerships, the following control measures are considered essential:

Pre-Agreement Controls

Before entering into any arrangement, there needs to be a **clear cultural synergy** and **commonality of interest** between the Council and its prospective partner(s) in addition to a **sound business case** for the relationship. The Council needs to "do its homework" by carrying out **due diligence checks**, including a **financial vet** and an evaluation of a prospective partner's **system of corporate governance**. Finally there needs to be **an assessment of the impact** on the Council of entering into such an arrangement.

Agreement Controls

The basis for any significant partnership should be set out in a **formal agreement / contract** which should be endorsed by the Director of Customer, Democratic & Legal Services. Such an agreement should contain **clear, agreed objectives & outcomes** and be **clearly aligned with the Council's strategic objectives**. It should also cover how the Council's and the prospective partner's **Standing Orders and Financial / Contract Procedure Rules** apply.

Partnership Management Controls

There needs to be **certainty over the respective responsibilities** of the Council and its partner which should be supported by **clear reporting lines** and a **decision making framework / scheme of delegation**. Strong financial management and budgetary control disciplines also need to be applied.

Performance Management & Reporting

The Council needs to be **publicly accountable** for all its key partnership arrangements by regularly reporting on progress to members. **Formal reports** should be submitted to the **Executive Cabinet** at least annually setting out how its **objectives and targets** have been achieved and any issues which need to be brought to members' attention.

Dispute Prevention & Resolution Controls

There is a risk that a partnership may be over reliant on key people, to the extent that if they are absent or actually leave the partnership itself becomes under threat. An **inclusive approach to managing the relationship** and **sound communication channels** including **regular meetings** are key to mitigating this risk. Where the arrangement involves making payments between partners this should be set out in a **clear payment structure**. The formal agreement should also contain **agreement variation** and **dispute resolution** mechanisms so that if problems arise they are resolved quickly and amicably. This should be supported by clarity over the **ownership of insurable risks**. The right of each partner's **Internal Audit** function to access their respective records should also be formally agreed.

Exit Strategies

There is the potential for any partnership to fail. The Council should protect itself from this eventuality by developing a **clear exit strategy** for all of its key partnerships in order to mitigate the **financial, reputational** and **other risks** which could materialise.

Non-Key Partnerships

Although the above control measures are relevant to all of the Council's partnership arrangements, they need to be scaled down or applied on an "as needs" basis to non-key partnerships. The main difference is that there is no expectation that the performance of non-key partnerships should be regularly reported to members. The following are however considered to be the minimum control measures that should be applied to all partnership arrangements irrespective of their status:

- Commonality of interests
- Sound business case
- Impact assessment
- Clear objectives & outcomes aligned to Chorley's strategic objectives
- Certainty over responsibilities & clear reporting lines
- Regular meetings
- Clear payment structure (where appropriate)
- Ownership of insurable risks
- Internal Audit access
- Exit strategy

6. RISK MANAGEMENT

6.1 The Council has been guided by the HM Treasury / OGC guidance on managing partnership risks as contained in their publication “Managing Risks with Delivery Partners“ which has been endorsed by the Audit Commission as representing best practice. The key provisions of this guidance are listed below together with instructions on how it should be applied to the Council's key partnerships:

Identify the Council's key partnership / partnering arrangements

These have now been identified and are listed in section 4 above. This list needs to be kept under review and amended to reflect any change in status or to accommodate important new partnerships.

Review the key partnerships for alignment of objectives and to assess inherent risks.

This was undertaken by Internal Audit in November 2006 and the results reported to chief officers and members. Section 5 of this policy framework document contains provisions which should be applied to any new key partnership arrangements.

Establish joint risk registers for every key partnership

The Directors responsible for each of the Council's key partnerships need to arrange for the completion of joint risk registers with partners using the template and approach contained in the corporate project management guidelines which are held on the Loop under My Briefcase / Projects.

When completing the risk registers, Directors should consider the risks listed in Section 5 of this policy document that apply specifically to partnerships.

The Audit & Risk Manager should be contacted for further information or advice in completing risk registers.

Evaluate our key partners' risk management arrangements

In addition to completing joint risk registers, Directors should also satisfy themselves that the partner's internal risk management arrangements are sound. Again the Audit & Risk Manager should be contacted for assistance with this. The aim should be to obtain an annual disclosure on governance and / or Statement On Internal Control (SIC) and this should be included in the partnership agreement / contract.

Non-Key Partnerships

The above risk management disciplines are mandatory for the Council's key partnerships and optional for the remainder.

7. CORPORATE OVERSIGHT OF PARTNERSHIP WORKING

7.1 The Director of Finance is the corporate lead on partnership working. The Corporate Procurement and Partnerships Manager in the Finance Directorate will continuously review and update this Policy Framework and maintain a database of all partnership arrangements involving the Council and publish it on the Council web site.