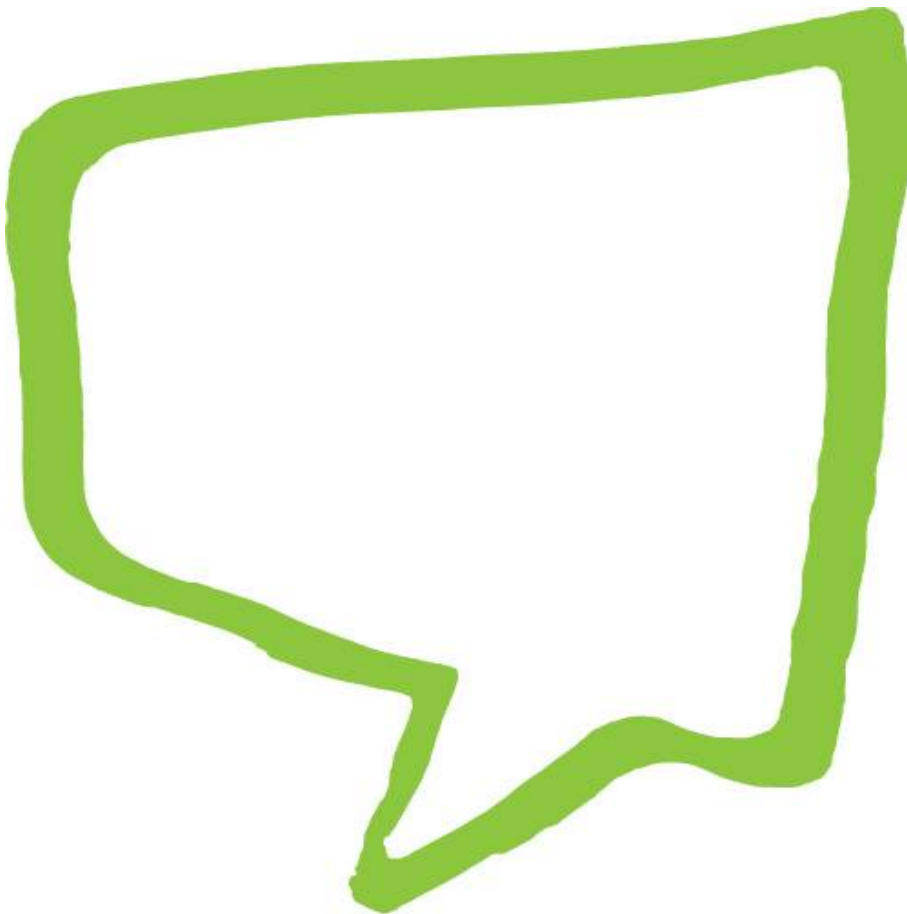


Review of Procurement

Herefordshire Council

Audit 2008/09

April 2009



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- any director/member or officer in their individual capacity; or
- any third party.

Summary report

Introduction

- 1 Procurement generally means the acquisition of goods and services from third parties external to the organisation. It covers consultancy, one-off high value capital projects such as buildings and IT, as well as the range of high volume low value purchases, and all purchases in between. With high volume low value transactions, the transaction processing costs are considerable. Quality in procurement will be achieved when the organisation is capable of consistently delivering goods and services that take forward the organisation's core priorities and meet the needs of users and stakeholders, at the best possible price.
- 2 Procurement is an important activity because it accounts for a large proportion of a Council's expenditure. Consequently procurement, including the exploitation of new technologies to improve efficiency, is an area both of risk to the organisation and of opportunity to make savings. Good practice in the procurement of goods and services, including making better use of available technologies, is essential for ensuring the achievement of best use of resources. A council's corporate procurement strategy should set out its approach to: partnering in service delivery and in construction projects; and to collaboration such as through purchasing consortia, joint procurement / commissioning and shared services.
- 3 In recent years, there has been a trend towards partnership approaches for large scale procurements, such as through public-private partnerships. These are large-scale and long-term partnerships, typically for 10 to 15 years, and lead to significant parts of a council's services being outsourced. These service-based and partnership contracts are not a partnership of equals; although having formally agreed objectives the partners have differing motivations and this leads to particular risks. The potential benefits to authorities from strategic partnerships can be substantial but the risks to the council of an unsuccessful partnership can be very serious. The process of specifying the objectives of the partnership, selecting a partner and managing the partnership are critical to its success.

Background

- 4 Procurement activity within the Council is carried out within departments, although there is a small corporate procurement team providing expertise and advice when required. Council standing orders and corporate procurement rules have recently been reviewed. Training on these new arrangements has been provided to officers and to councillors involved in procurement. The organisational structure of the Council's procurement function is currently being reviewed.

- 5 The Council has reviewed its service delivery partnership with AMEY looking to improve service quality and reduce costs. There are currently two contracts with subsidiaries of AMEY (Amey Wye Valley and Amey Owen Williams); the first contract is a joint venture between the Council and Amey and covers delivery of highways maintenance and a range of other works; and the second contract covers engineering and architectural design. The contracts are in their fourth year and have another six years to run with an option to extend for a further ten years. The Council's preferred option is to renegotiate the contracts' management arrangements to enable services to be delivered at reduced cost.
- 6 The Audit Commission has previously looked at procurement arrangements. In autumn 2007 it concluded that the Council had effective arrangements to manage the early phase of the Herefordshire Connects programme, but it was still finalising the governance and performance management arrangements for subsequent phases. It is these areas that are the key to achieving benefits and the review highlighted areas where arrangements could be strengthened. The audit and inspection plan agreed with the Council in May 2008 identified that procurement is still a risk area.

Audit approach

- 7 The audit consisted of two key elements:
 - a management overview of the Council's approach to procurement, looking in particular at governance arrangements, the guidance provided to managers procuring goods and services, and the extent to which this is followed; and
 - an overview of the process for developing the partnership arrangement with Amey Wye Valley and with Amey Owen Williams.
- 8 The key audit objectives were to:
 - ensure that a best practice approach to procurement is being used;
 - evaluate the extent to which new arrangements are understood and becoming embedded;
 - assess whether the developing arrangements enable the Council to identify opportunities for savings through more effective procurement and more efficient processes; and
 - review the process for developing the Amey partnership to assess if they are in line with best practice.
- 9 Audit frameworks were developed from best practice and agreed with the Council before the work started. The detailed framework is given in Appendix 1, but in summary the frameworks looked at:
 - procurement overview: Good practice indicates that effective procurement frameworks should be underpinned by clear high level organisational commitment and a strategy linked to corporate priorities. Organisations should identify the outcomes required and ensure that contracts are monitored effectively. Effective procurement needs skilled staff and so training programmes and procurement guidance are needed; and

Summary report

- developing the partnership arrangement: For major contract negotiation, good practice indicates that clear objectives and effective management of the process is important. Good practice includes a formal project management process which ensures that the right tasks are included and that adequate resources, including time, are available to the project team to ensure effective completion. For effective partnership working, good practice indicates that there should be suitable governance and management arrangements in place to ensure that the partnership delivers the anticipated outcomes. Management arrangements should include the management of risk.

10 The audit included:

- a review of strategic procurement documents;
- interviews with procurement officers;
- interviews with departmental procurement / commissioning officers; and
- interviews with lead councillors and officers with responsibility for procurement.

11 The audit was carried out during October and November 2008, when the new procurement rules were in place but while the project to develop the partnership arrangements with Amey was being carried out. Thus the conclusions reflect a snapshot in time and the Audit Commission recognises that the Council's negotiations with Amey have moved forward significantly from that position. However, in comparing the project with best practice the Audit Commission has identified a number of recommendations to help the Council deliver more effective products. As the negotiation project has now advanced by several months, some of these recommendations have already been incorporated. Following the draft report, the Council agreed to address four key issues immediately to enable it to progress the service delivery review of the Amey partnership. The Council has responded to this and details are included in the attached action plan

Main conclusions

12 The new procurement management framework gives procurement high visibility within the Council. The framework provides clear guidance to staff in procuring goods and services. It includes guidance on preparing specifications and contracts; tendering and tender evaluation; and on managing the contract. But there are no formal contract monitoring processes or routine reports to managers to keep them informed about key procurement and contract issues. The new procurement framework is not yet embedded across the organisation but the cross-departmental procurement group should help with this. Training has been provided for key staff. Improvements in value for money (VFM) have begun to be secured through implementation of the new procedure and through joint procurement with partners. The Council has started to use some e-procurement, but its use is limited to a small area. The Council is not afraid of using innovative approaches but has mixed success with these.

- 13** The Council is taking a pragmatic approach to address the problems caused when the Amey contract failed to deliver the original vision of working in partnership. Although the problems with service delivery were not clearly established, the options appraisal has identified a way forward. Management of the renegotiation project was ill-defined; roles, responsibilities, and resources were not clearly identified and timescales have slipped. Many issues remain unresolved. These include identifying:
- what the new service will look like;
 - how it will be managed within the Council;
 - what the governance arrangements will look like; and
 - the impact of transferring risks to the contractor.

Recommendations

- 14** The Audit Commission recommends that the Council should consider the following recommendations which offer practical pointers for improvement.

Recommendations	
R1	Work to embed good procurement practice across the organisation and monitor adherence to the framework.
R2	Implement effective procedures to include: <ul style="list-style-type: none"> • a framework for contract monitoring; • reporting to members on performance of major contracts; • risk management of contracted services; • exit strategies for contracted services; and • e-procurement.
R3	Be clear about how highways service delivery will be judged and establish a Council contract management team to monitor delivery of the AMEY contract.
R4	Implement effective project management for the negotiation and mobilisation phase of the AMEY contract with clear roles, responsibilities, and resources.
R5	Identify and implement governance arrangements for the new AMEY partnership contract.
R6	Clarify the risks being transferred to AMEY and identify the cost implications of that transfer.
R7	Develop a strategy for the AMEY contract to ensure service continuity in the event of, for example, the contractor failing, the contract failing, or poor service delivery, etc.

Detailed report

The approach to procurement

Procurement framework

- 15 Procurement has high visibility within the Council. Senior managers are keen for procurement to be carried out professionally and have appointed a dedicated corporate procurement officer to lead procurement for the Council. They have given their support to ensure delivery of a range of initiatives such as the corporate requirement to use West Mercia Supplies (the partly owned local purchasing consortium) and by making procurement training central to financial management training.
- 16 Councillor involvement in procurement is limited. There is no dedicated councillor champion for procurement, although it does come under the resources portfolio. The resources portfolio holder wants to ensure procurement operates effectively, but this is difficult within a broad and important portfolio. Councillors are not involved in procurement processes but do receive reports on the outcome of major procurement exercises; the Audit Committee can act like a select committee and investigate why the decisions have been made.
- 17 The Council has responded effectively to concerns raised in earlier reviews. It put considerable effort into developing corporate processes to address the weaknesses identified in procurement activity. The corporate procurement policy has been updated, procurement guidelines and a mini-guide to procurement produced, and in-house training on procurement delivered.
- 18 There is a clear procurement management framework with explicit links to the Council's priorities. The procurement strategy demonstrates links to the corporate priorities, such as sustainability, and looks for each directorate to use procurement to ensure maximum savings in both capital and revenue spending. The framework is available to all staff together with guidance and a procurement mini-guide which is easy to understand. The corporate procurement unit is the key contact for advice and guidance for services carrying out procurement exercises.

- 19 It is too early to judge the effectiveness of the new procurement framework. There are no routine reports to senior managers on matters of procurement although major procurement projects are reported to senior managers and there is some informal reporting through line management. There are no measures to ensure quality standards are maintained although the Council intends to collect key information to manage the benefits delivered by major procurement projects. But there is some improvement. For example, the revised procurement arrangements have begun to secure some improvements in value for money including the learning disabilities accommodation review and the centralisation of personal computer purchases, which ensures the right equipment at a cost effective price. The new cross-departmental procurement group will enable lessons to be shared between services and provide support for procurement officers.

Contract design and management

Skills development

- 20 Training is being delivered to all key people to improve the effectiveness of procurement activity. Since 2007 procurement training is now an integral part of the Council's revised financial training with procurement being covered in the Council's internal training programme. This training is targeted at key staff and managers. More in-depth training is being developed with the intention that, once staff have completed this, they will be awarded certificates of 'licence to procure'. Councillors have received training on procurement, contract standing orders, and whole life costing. Although this was a brief overview, it aimed to encourage councillors to look for the best value bid not just the cheapest. The training was well received by councillors.
- 21 However, it is not clear what procurement expertise exists throughout the organisation or whether a training needs assessment has been carried out. The lack of a specific analysis of these issues means that the Council is not yet maximising the potential within the organisation and that it may be missing opportunities to fill gaps in skills and knowledge across the Council.
- 22 Internal awareness of the new guidance, and the importance of adhering to it, is high. Service managers are well aware of the corporate procurement guidance. The procurement officer's appointment and the work carried out to develop and publicise the revised guidance has meant that procurement has a high profile. The next stage for the Council will be to ensure that staff across the organisation are provided with sufficient training and support to reduce the need to refer to the centre for advice and guidance on more routine procurement.
- 23 It is not clear whether all procurement activity is effectively project managed. The project management team is available to manage major procurement projects but there is no requirement to use them and, if they are used, there is an additional cost to the project. This means that the Council's project management team is not involved in all procurement. In not using the professional project management expertise available, the Council is missing the opportunity to ensure efficient and effective procurement in the delivery of its corporate objectives.

Modern procurement methods

- 24 The use of electronic systems to manage procurement is under-developed. There are no systems to manage procurement or monitor progress. The Council is looking at e-purchasing, but does not anticipate this being fully enabled until 2010. It is planning to move towards e-procurement through purchasing cards and an upgrade to the finance system which would allow e-processing. There is an e-procurement system operating for all ICT purchasing, but not for purchasing of other items.
- 25 The Council is not afraid of using innovative approaches to procuring services but success is mixed. Social services are developing processes to ensure procurement helps in effective service delivery. For example, it used a competitive dialogue route to provide a better result; and social care is procured in part through block contracts to ensure coverage in the rural areas. The highway department sought an innovative way of delivering highway services through a partnership arrangement, but this has had limited success. However, the Council is now looking to again develop a new 'partnership contract' for its highways work by renegotiating existing contracts.

Process to develop the Amey partnership arrangement

Is the partnership designed to deliver value for money?

- 26 The objectives and benefits of partnership working with Amey have not been clearly articulated and communicated at senior level. The aim to develop partnership working is consistent with the long-term corporate vision for the Council. The project plan includes the involvement of stakeholder groups in developing options, identifying councillors as one of these groups. Some stakeholder groups, such as staff and the contractor, are closely involved in the project. However, although the vision for the partnership was discussed in a number of councillor meetings, their involvement was limited to commenting on draft reports rather than contributing fully as a stakeholder group. Despite the work of the project group, this has not resulted in clear objectives and benefits being articulated.
- 27 The current partnership does not deliver the anticipated benefits. The current specification is input-based and it is not clear how the Council monitors delivery of the contract and its associated benefits. The Council intends to change the input-based contract through negotiation to an outcome-based specification with continuous improvement targets. This would be linked to a more appropriate payment mechanism. The renegotiation is intended to improve the partnership working which would lead to better management of service delivery

- 28 The Council has not re-evaluated whether a strategic partnership approach is appropriate. The strategic partnership contract agreed four years ago was not effective as a partnership and the contract operated in the normal client and contractor way. With the contractor in financial difficulty, the Council agreed to the contract being passed to another contractor for the remaining six years. The Council carried out an options appraisal to identify the best way forward within the current contract, making 'soft market soundings' by looking at similar models elsewhere, for example in Gloucestershire. During the reporting phase, Councillors raised a number of queries which were reported to committees, but it is not clear how these comments were addressed. The lack of formal evaluation of the appropriateness of a partnership contract for this service will lead to a lack of clarity throughout the organisation of realistic expectations of the new service delivery.
- 29 However, the Council has made a pragmatic decision in seeking to renegotiate the contract. Although the original contract did not realise the desired benefits of a partnership arrangement, the Council transferred the contract without any changes to a second contractor when the first contractor experienced financial difficulties. Thus, with a second contractor in place and in the middle of a long-term contractual agreement, the Council had limited options when it sought to deliver improved value for money

Is the renegotiation process managed effectively?

- 30 Responsibility for the management of the renegotiation process is not clear. The Council is using project management methodology based on PRINCE2 but, although there is senior level commitment and support for the process, in practice the lines of responsibility are not clear and several people appear to be involved in managing the project. The Council is clear that the project will be delivered but there is less clarity over whether adequate resources (both time and funding) have been identified up front.
- 31 The project identifies the desired key benefits from renegotiation but not the key issues. The project initiation document (PID) and the business case together identify participants and the three key deliverables for the project up to the renegotiation. But neither document identifies what the problems or key issues are and so it is not clear whether all practical options have been considered or whether the proposed approach will solve the current problems.
- 32 This lack of clarity is reflected in other key documents. Councillors were not given a clear outline of the key issues or of the options to address them when being asked to approve the way forward. The report to councillors seeking approval for the selected option lacked clear examples of how the new arrangements may work and lacked validation to support the selection of the preferred option. The report was very long; it repeated the original concept several times but did not clarify the issues or how the proposed solution would address these; it suggested that the benefits (of £1m savings and improved quality) would be achieved but did not explain in detail how this would be achieved in detail.

Detailed report

- 33** The Council's timescale is optimistic. The PID contains the project programme showing a start date of November 2007 leading to negotiation starting in March 2008 for project completion in June 2008. These tight timescales show a desired programme profile which assumes that all activity, including that done by people outside the project team, will start and finish at the specified time. The PID does not include resource allocation and the programme makes no allowance for slippages, resulting in the project being currently approximately six months behind the published programme. The Council intends that the new arrangements will be in place for the next financial year, but it has not yet started the negotiation process and it is not clear if the new arrangements can be mobilised in the five months remaining.
- 34** The Council's internal legal advice shows that it complies with EU procurement legislation. This is based on new arrangements covering the same service elements that were included in the original contracts. The renegotiation is intending to complete the service specification which was agreed in the original contracts. These envisaged the Council and its two contractors working together in partnership to move from input-based contracts to outcome-based working.

Arrangements to manage and monitor performance

- 35** The Council has not identified how it will assess the performance of the contract or how it will verify that service delivery is satisfactory. Performance standards have not yet been agreed but the Council is looking for monitoring to be based on outcomes and is seeking top quartile performance on national performance indicators. It intends that the contractor should develop a system to demonstrate that the contract and services are delivering value for money. The Council is planning to develop its management of the contract and the monitoring of service delivery during the negotiation phase.
- 36** There is no explicit provision for addressing failure or ad-hoc requests. The Council is seeking to encourage the contractor to deliver a quality service through the incentive of the opportunity to extend the contract beyond ten years. It is not clear whether this incentive will be accompanied by penalties if the contractor fails to deliver an adequate service. The Council is looking to negotiate an agreed approach to manage ad-hoc requests from officers and from Councillors, which should include timescales and costs. The lack of explicit provision for addressing these issues will compromise the effectiveness of service delivery and the value for money of the contract.
- 37** There is no explicit provision to update or refresh the contract to deal with changing requirements. The current contract makes no reference to refreshing the specification and there is no agreed change control process. The first break point in the contract is at the end of the ten year contract period; unless a contract extension has previously been agreed in reward for good performance. However, the Council's options appraisal indicated that it was in its best interests to renegotiate the contract and the contractor is willing to enter negotiations. If this is concluded satisfactorily, the Council will have demonstrated that the contract can be refreshed to deal with changing requirements. The lack of explicit provision to manage changes to service delivery caused by external or internal changing requirements exposes the Council to risk of contract price inflation.

- 38** Current joint governance arrangements are not effective and proposals for future arrangements are not developed yet. The original contracts provided for tri-party joint governance arrangements involving the two contractors and the Council. As there was no genuine partnership working between the partners, the joint governance arrangements did not work and fell into disuse. It is envisaged that the renegotiated partnership arrangement will include governance arrangements, but these have yet to be agreed. At this stage, Councillors are not involved in the governance of the partnership or in negotiating the new governance arrangements. It is too early to assess whether the renewed governance arrangements will work. Without working governance arrangements, the Council cannot be sure that its highway responsibilities will be met nor can it be sure that public money is being spent wisely.
- 39** The Council's contract management arrangements are unclear. The Council recognises that its current management arrangements are unwieldy and inappropriate. It intends to change these by transferring its supervisors to the contractor and implementing a much reduced client team. But it has not yet identified how this will operate, so client roles are not clearly defined and it is not clear if there are staff with the right skills. It is not clear how senior managers and councillors will have oversight of the contract management process. Lack of appropriate contract management arrangements compromises the Council's ability to ensure its highways responsibilities are discharged effectively.

Management of risk

- 40** The Council is using its risk management framework for the project but is not using it effectively to manage the risks. The Council has a well defined corporate risk management process and the project has extensive risk registers for phases two and three. The risk registers identify a significant number of risks, but it is not clear how the project team intend to mitigate these. It is not clear how the risk register is used or whether it is updated routinely to reflect changing risks and the impact of any mitigating actions. By not managing the risks of contract renegotiation effectively, the Council cannot be sure that it will achieve the overall aim of the renegotiation - an improved service at a reduced cost.
- 41** The Council is not using its risk management framework to prepare for managing the risks inherent in service delivery by a third party. It has not identified issues of risk transfer within the contract and so cannot calculate the cost implication. The Council wants the contractor to manage the entire delivery of the service and hence to manage all risks associated with delivery, but it has not yet assessed the costs of this risk transfer or whether this is a practical way forward. By not evaluating the costs of transferring significant risks to the contractor, the Council cannot be sure that it is spending public money wisely or achieving value for money.

Detailed report

- 42 There is no exit strategy. The contract allows for termination by either party but the Council does not envisage terminating the contract as it has no wish to retender the service. In line with this, it is not making any preparation for exiting the contract. But this means that it is also not preparing for the possibility of the contractor pulling out of the contract and the lack of an exit strategy left the Council in a difficult position when the initial contractor experienced financial difficulties and was unable to continue with the contract. In that case, the Council felt it had little option other than to agree to the contract being transferred without change to a new contractor, despite the fact that the partnership output-based contract envisaged at the start had not been delivered and the contract was not working well. The preparation of an exit strategy, defining actions when the contract is terminated, either prematurely or on time would allow the Council to manage this situation better.
- 43 It is not clear how the Council will ensure that there is no unexpected increase in costs of transferred services. There is no clear model of current and future (post negotiation) costs although the Council used the Gloucestershire and Bedfordshire models as comparators. There are no plans to include a provision to control costs in the future. The basis of the renegotiation is to reduce costs and the Council is confident that the contractor can deliver significant savings as it has already delivered efficiencies within the contract, turning a significant contract loss into a profit. The Council hopes to have access to the contractor's accounts for this work and will use the opportunity for peer review of any additional project costs to ensure that charges for additional work are reasonable.
- 44 The Council is not planning to manage risks associated with changing circumstances. There are no plans to include a change control process to allow for changes to service delivery to reflect changing external or internal requirements. It intends to control costs of new work by seeking peer review of additional costs, but it is not clear how willing thirds parties will be to provide this information. Although the Council is planning to retain a small client function, it is not clear how it intends to retain and attract people with technical expertise to manage the contract and audit the contractor's performance. The lack of formal risk management of service delivery exposes the Council to the possibility of poor service delivery at increasing costs.

Appendix 1 – Audit frameworks

Table 1 Procurement overview

Procurement management framework	Governance arrangements Organisational commitment Link of the procurement strategy with corporate priorities Corporate framework and co-ordination
Procurement design	Corporate vs local
Contract preparation	Specification
Contract processes	Documented procedures Tendering principles Tendering procedures Contract development
Contract management	Monitoring compliance Contract monitoring and review process Payment process
Knowledge and skills development	Strategic training development Staff awareness and training Project management
E-procurement and modern methods	Systems Process development
Service level agreements	Monitoring agreements Governance issues

Source: Audit Commission

Table 2 Developing the partnership / contract negotiation

<p>1 Has the partnership been designed to deliver value for money?</p>	<p>1.1 Whether objectives and benefits to be achieved are clear. 1.2 Is the use of a strategic partnership approach appropriate? 1.3 Whether plans are in place to ensure the partnership is managed in order to ensure it delivers the expected benefits</p>
<p>2 Is the Council managing the procurement process effectively?</p>	<p>2.1 Is the processes project managed effectively 2.2 How the right partner was selected 2.3 Does the time-scale allow sufficient time for the procurement 2.4 Whether the Council complies with EU procurement regulations</p>
<p>3 Is the Council making adequate arrangements to manage and monitor performance of the partnership</p>	<p>3.1 Is there a clear framework to assess the performance of the strategic partner, to verify that the service is satisfactory 3.2 Whether provision is made to address failure to deliver and for ad-hoc requests 3.3 Ability to update / refresh the contract to deal with changing requirements 3.4 Joint governance arrangements 3.5 Client-side management arrangements</p>
<p>4 Is the Council preparing to manage risks</p>	<p>4.1 Clarity about risks and risk transfer 4.2 Preparation of an exit strategy, defining actions when the contract is terminated, either prematurely or on time 4.3 How the council will ensure that the partnership does not lead to an unexpected increase in costs of transferred services 4.4 Whether there is provision to ensure that the Council does not incur excessive charges for additional work</p>

Source: Audit Commission

Appendix 2 – Action plan

Page no.	Recommendations	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
6	R1 Work to embed good procurement practice across the organisation and monitor adherence to the framework.	3	Procurement	Yes	Training course on Procurement skills, knowledge and procedures started April, runs for 6 sessions for c. 20 staff with Procurement/contracts responsibility. Procurement Strategy being updated and a Forward Plan drawn up including actions on upgrading documents and assistance on Tendering, Contract Management, and Sustainable Procurement. Audit of Procurement staffing and processes in Service Areas also planned.	October 2009
6	R2 Implement effective procedures to include: <ul style="list-style-type: none"> • a framework for contract monitoring; • reporting to members on performance of major contracts; • risk management of contracted services; • exit strategies for contracted services; and • e-procurement. 	3	Procurement	Yes	The Contracts Register has been expanded and refreshed and will be kept up to date via monitoring by Procurement. Will aid Procurement identify what contracts are in place at any one time and who is responsible, and so to spot check on contract monitoring/management in the Directorates. (Also help monitor item 4, when renewals are due). Implementing of Aggresso e-Procurement module due end this year. Procurement to have member on the team to cover processes and training, ensure best practise inbuilt.	December 2009

Appendix 2 – Action plan

Page no.	Recommendations	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
6	R3 Be clear about how highways service delivery will be judged and establish a Council contract management team to monitor delivery of the AMEY contract.	3	John Eades, Performance Manager Performance Indicators and Performance Management workgroup	Yes	The Service Delivery Review Performance Management workgroup will define and agree a performance management regime that: <ul style="list-style-type: none"> links partnership performance management to the Council's; performance management framework; enables the Partnership Board to provide strategic leadership to the partnership; allows Amey and the Council to monitor operational performance; drives operational performance and efficiency; and demonstrates the contribution of the partnership to the Council's wider strategic aims. 	End of April 2009
6	R4 Implement effective project management for the negotiation and mobilisation phase of the AMEY contract with clear roles, responsibilities, and resources.	3	Richard Ball	Yes	Completed and in place.	
6	R5 Identify and implement governance arrangements for the new AMEY partnership contract.	3	Richard Ball	Yes	To be implemented once new arrangements are in place. Current anticipated completion date August 2009	August 2009

Page no.	Recommendations	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
6	R6 Clarify the risks being transferred to AMEY and identify the cost implications of that transfer.	3	Rob Ewing, Business Change Manager	Yes	As part of concluding the detailed negotiations with Amey, Detailed Service Definitions are being prepared to cover all services proposed for transfer. A working group reporting to the project team is leading the preparation of the service definitions in discussion and negotiation with Amey. Each service definition will be required to identify the key risks and define which partner is responsible for managing the risk. These service definitions will form part of the overall contractual documentation required to establish the new arrangements. Strategic partnership level partnership risks will also be documented and incorporated in to the service planning and performance management requirements for the new arrangements.	End of April 2009
6	R7 Develop a strategy for the AMEY contract to ensure service continuity in the event of, for example, the contractor failing, the contract failing, poor service delivery, etc.	3	Richard Ball, Project Lead, Acting Head of Highways	Yes	A draft Service Continuity Plan outlining what action would be taken in the event of the contract failing will be submitted to the Project Board for consideration by the end of March 2009. Any comments or amendments from the Board will be incorporated into a final version.	End of March 2009

Appendix 2 – Action plan

Page no.	Recommendations	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
Additional Council action						
	Clarify the expected source and level of savings to be achieved by the proposal		Cathy Stokes, Principal Accountant Environment and Culture and Regeneration, Resources Directorate		The Finance working group will: <ul style="list-style-type: none"> • validate the assumptions made to date regarding the source, level and proposed timetable for delivery of savings; • identify relevant information in relation to savings for incorporation into contract and supplementary agreements; and • consider and report on any implications that may be of relevance to the development of the performance management regime to inform the Performance Management workgroup's considerations. 	End of April 2009

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