

Jobs Plan

review

Nottingham City Council

Audit 2010/11

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Summary report

Introduction

1 In 2009 Nottingham City Council developed a Jobs Plan to help get 2000 city residents into employment or onto training courses by March 2011. Two key elements of the Jobs Plan were the Future Jobs Fund (£6.5 million funding awarded) and the Community Programme (funded by the Working Neighbourhoods Fund). The Council is the 'accountable body' for both sources of funding and as a consequence governance arrangements are determined by the external funding bodies, and by the Council's own constitution, standing orders and financial regulations.

2 There is much to commend the Council for in bringing forward so quickly these two large citywide programmes to support the creation of 1600 jobs in total. It should be stressed that my investigation has not reviewed the impact of either programme in delivering the objectives of the Jobs Plan to get residents into employment or onto training courses and I am not seeking to question the benefit that individuals have derived as a consequence of their participation in the programmes.

3 However, in August and September 2010 I received a number of allegations concerning both the Future Jobs Fund and Community Programme. The main focus of the allegations was that the then Portfolio Holder for Employment and Skills (Portfolio Holder) had inappropriately used his influence and involvement in the decision making process to affect the allocation of contracts to deliver the programmes.

4 Given the nature of the allegations I determined that it was appropriate to carry out further work as part of the statutory audit.

5 This report sets out the findings from my investigation and covers three areas.

- Procurement arrangements and accountability.
- Ethical standards issues.
- Partnership working.

Main conclusions

6 The Council (acting as accountable body) has failed to comply with the requirements of its own constitution, standing orders and financial regulations in awarding Future Jobs Fund and Community Programme contracts. In particular, the then Corporate Directors for Development and Communities and to a lesser extent the Portfolio Holder for Employment and Skills (Portfolio Holder) failed to demonstrate appropriate accountability for the decisions taken. These failures were compounded by poor record keeping within the Council.

7 My investigation has led me to conclude that the Portfolio Holder's conduct may have been in breach of paragraph 3(2)(d) of the Code of Conduct (conduct which has compromised or is likely to compromise the impartiality of officers). My concerns arise from the need for transparency and good corporate governance rather than that there was any actual inappropriate allocation of contracts (in relation to which I did not find any evidence). Thus from the perspective of good governance in the protection of public money I have concluded that:

- the Portfolio Holder should have made his personal connections with some of the organisations clear on an ongoing basis to officers and should not have participated in discussions relating to those organisations; so as not to leave the decision making process open to challenge; and
- given the acknowledged increased potential for conflicts of interests for this particular portfolio holder, senior officers should have been more aware of all declared interests to enable them to flag up potential conflicts as they arose during discussions.

8 The role of partners as set out in the original bids did not fully materialise in practice.

- In response to comments from the Department of Work and Pensions (DWP) the role of intermediary organisations was expanded significantly and additional organisations were brought in to this role.
- An additional capacity building element was added to the Community Programme.

As a consequence, some partners felt let down and had concerns around consistency and transparency. In my view the Council could have done more to allay these concerns by being more open and transparent about the need for changes and to ensure everyone was given an equal opportunity to respond to these changes.

The way forward

9 The Council should consider the issues raised and the recommendations I have made.

10 My recommendations are as follows.

- The Council should take steps to ensure the Council's constitution, financial regulations and standing orders are being consistently complied with in relation to the procurement of contracts. In particular:
 - all contracts linked to grant funding should be reviewed to ensure that they have been appropriately authorised;
 - all Corporate Directors and Portfolio Holders should be reminded of their responsibilities (in particular authorisation limits) in relation to the letting of contracts; and
 - all staff should be reminded of the need to fully document and record decisions including all associated discussions linked to the decision making process.

- The Council should take further steps to reinforce the wider aspects of good governance, particularly in relation to any potential conflicts of interest, encouraging openness and transparency at all times.
- The Council should consider referring the Portfolio Holder's possible breach of paragraph 3(2)(d) of the Code of Conduct to its Standards Committee.
- The Council should learn from the concerns raised by partners in relation to these two funding programmes and seek to engage more transparently in the future.

Background

11 In August and September 2010 I received a number of allegations about the way decisions were being made by the Council in relation to the delivery of the Future Jobs Fund and Community Programme. These programmes are a key part of the Council's Jobs Plan. These allegations focused on the outside interests of decision makers, specifically the then Council's Portfolio Holder for Employment and Skills (Portfolio Holder).

12 The Jobs Plan had attracted funding of over £12 million from the Government (see Appendix 1) and there was significant drive to implement its actions quickly, both from the Government and as part of the Council's 'We're on your side' campaign, itself a response to the worsening economic and unemployment situation at the time.

13 My investigation covered the two largest elements of the Jobs Plan.

- The Future Jobs Fund for 1,000 placements of up to 12 months.
- The Community Programme for 600 volunteers.

14 Funding for these two elements came from the Department for Work and Pension's (DWP) Future Jobs Fund and Department for Community and Local Government's (CLG) Working Neighbourhood Fund. In both cases the use of the fund is predicated on there being a single Accountable Body but overall programme governance by a wider partnership of organisations, such as the City's Local Strategic Partnership, called One Nottingham (ON).

15 The period that I have focused on is the period from the initial preparation of the Future Jobs Fund bid for Government funding in June 2009 through to the letting of the last contracts in April 2010.

16 My investigation has included interviews with over twenty five people including the Portfolio Holder, officers and representatives from partner organisations. The Portfolio Holder and council officers were in a position to have firsthand knowledge of how contracting decisions were made and of the events leading up to those contracts. Partner organisations outside the Council provided an external perspective on the process. I have listened to people's first hand accounts, and compared this against what should have happened according to the Council's Constitution, its rulebook. I have also considered the wider governance and public law requirements applicable to local government and drawn on other supporting documentation where relevant and appropriate.

17 The Council's constitution contains codes of conduct for members and officers, as well as sections on financial regulations and on the roles and functions of specific senior officers and members, such as corporate directors and portfolio holders. The constitution broadly follows the Government's model constitution published in 2000.

Procurement and accountability

18 As Accountable Body for both the Future Jobs Fund & Community Programme, it was the Council's responsibility to ensure good governance in managing these programmes. In terms of its own involvement in the programmes this means ensuring compliance with the Council's own rules as set out in the Constitution including standing orders, financial regulations and the contracting and procurement rules.

19 My review has identified poor and incomplete records of decision making with regard to both of these programmes along with evidence of some significant breaches of procurement rules. In response, the Council has accepted that there is a need to improve the consistency in its approach to procurement and that it will use the findings of this report to inform the actions required.

Future Jobs Fund procurement and accountabilities

20 The Council failed to follow key aspects of its own procurement rules throughout the process; in particular:

- procurement advice was sought on an insufficiently formal basis given the amount of money involved, the request was not sufficiently detailed to secure appropriate advice and the advice given was not followed;
- no authority was secured to set aside normal procurement rules;
- authorisation levels were breached;
- decisions were not properly recorded and the then Corporate Director of Development failed to demonstrate how he had fulfilled his responsibilities in this regard; and
- to a lesser degree the Portfolio Holder also had a responsibility to raise concerns with the Corporate Director of Development as to authorisation levels with which he could be expected to be familiar.

21 Table 1 provides a more detailed summary of the various stages in the procurement process.

Table 1: Procurement practice for the Future Jobs Fund Programme

Rules were not followed, resulting in unsafe decision making

Step	Procurement rules and what happened in practice
<p>Securing advice</p>	<p>Advice from Council's procurement management unit was not formally sought at the outset (June), but the scale of resources (based on bid) was known to probably exceed £10 million. Initial conversation with corporate procurement was based on the assumption that all the organisations had been listed as partners in the bid. In the end additional organisations received significant contracts.</p> <p>Although unknown at the outset in terms of the number and size of contracts with partners or suppliers at least two partners were looking to have a £2 million stake each in the programme. This warranted close involvement of advisors</p> <p>Advice was secured in September relating to the need to meet EU procurement regulations and the Council's financial regulations ie the need to go to competitive tender. Advice was sought on the basis of 'Given where we are, what are our options?'</p> <p>The procurement advice sought was not sufficiently detailed to cover the key issues, such as how safe (eg evidence based and transparent) was the decision making that determined the initial select list ie those named in the bid. Advisors were not made aware of the background to the inclusion of the Neighbourhood Jobs and Training Steering Group in the bid or the fact that organisations not specifically named in the bid received significant contracts.</p>
<p>Setting out intentions</p>	<p>Expressions Of Interest did not distinguish between the placement provider role and the intermediary role.</p> <p>Initial guidance did not explain the consequences of inclusion in the bid as a partner or placement provider.</p> <p>Some partners anticipated a partnering arrangement 'requiring partners to deal fairly with each other, work together in a spirit of mutual trust, good faith and cooperation'. The Council meanwhile was aiming at a client contractor relationship.</p>
<p>Authority to depart from procurement rules</p>	<p>The procurement unit advice confirmed there was no need to follow the OJEU process, and that Council could avoid a lengthy tendering process by selecting from those named in the Bid, on the basis that authority is secured from portfolio holder, to set aside normal procurement rules because of the short timescale.</p> <p>No (Portfolio Holder and Chief Finance Officer) authority was either sought or secured to set rules aside.</p>

Step	Procurement rules and what happened in practice
Developing a select list of preferred bidders	The Council's contracting and procurement rules and good practice dictate that some form of initial vetting should take place at the first (ie EOI) stage. Such vetting, eg of 'financial standing and technical competence' didn't happen until the second stage, at which point this formed the basis to reject one partner, and substantially reduce the involvement of another.
Record keeping	<p>Around half of the programme's (£10.5million) resources were to be let in contracts of around £500,000. This is at the limits of delegation for the Executive Board to Portfolio Holders and well above officers' delegated levels (£200,000 at the time). There is no evidence of any key decision, portfolio holder decision or delegated officer decision in relation to any of these contracts being sought or secured.</p> <p>At each step of the process, there is a constitutional requirement to provide a clear account of what and why decisions are being made.</p> <p>There is very limited written information to confirm who made the formal decisions, and what they were based on, particularly in relation to which intermediary to contract with and the scale of involvement of each.</p>
Legal advice	The Council's procurement rules also require any contracts over £500,000 to be made 'under seal' with the input of the Legal Services Manager about possible exceptions. There is no evidence that this was either sought or secured in the case of initial and subsequent contract extensions highlighted in table 2.
Extensions	<p>The financial regulations prohibit extending contracts more than once, and even then there is need for corporate directors to inform the Chief Finance Officer of the circumstance. This didn't happen.</p> <p>One contract was extended twice, from £1 million to £1.5 million and then to £2.5 million. The second extension was therefore unsafe as it broke financial regulations</p>

Audit Commission fieldwork November 2010

Authorisation breaches

22 There has been a general failure of the Council to adhere to its own rules relating to the proper authority to authorise the use of Future Jobs Funding and Working Neighbourhoods Funding, in accordance with Council's own financial regulations and the constitution.

23 The constitution sets out the financial limits for the authority of the Executive Board, executive Portfolio Holders, the Chief Executive and Corporate Directors. It also sets out their respective responsibilities. In particular it states that:

- that Portfolio Holders are responsible for ensuring that the executive functions within the portfolio are performed in accordance with approved Council policies and strategies, and to the highest ethical standards; and
- that Corporate Directors are 'responsible for maintaining record of decisions they take' and 'always retain accountability for their responsibilities' according to the Constitution.

24 In relation to the Future Jobs Fund I identified five instances (see table 2 below) where decisions were taken to either enter into contracts or extend contracts with the umbrella organisations, which should have been taken at Executive level. There is no evidence that the appropriate authority was obtained. This is not acceptable and indicates a failure primarily by the Corporate Director for Development to fulfil his responsibilities around ensuring compliance with procurement rules and maintaining records of all decisions taken.

Table 2: **Constitution financial limits**

Relevant authorisation limits at that time:

- Key decision >£500,000,
- Portfolio holder decision £200,000 to £500,000
- Officers delegated authority <£200,000

	Date Decision taken	Nature of Decision	Value	Authorisation level required	Issue
1	Dec 09	Initial contract	£1 million	Executive Board key decision	No key decision request to or decision by the Executive Board
2	Dec 09	Initial contract	£1 million	Executive Board key decision	No key decision request to or decision by the Executive Board
3	Mar 10	Contract extension	£500,000 now totalling £1.5 million	Executive Board key decision	No key decision request to or decision by the Executive Board
4	Mar 10	Contract extension	£500,000 now totalling £1.5 million	Executive Board key decision	No key decision request to or decision by the Executive Board
5	Apr 10	Further contract extension	£1 million now totalling £2.5 million	Executive Board key decision	No key decision request to or decision by the Executive Board

25 To a lesser extent the Portfolio Holder also had a responsibility to raise concerns with/question officers when normal processes were not followed. He was or should have been aware of the delegated limits and should have been alert to the implications in relation to contracts of this size. There is no evidence that he raised any such concerns.

26 It is clear that decisions at a lesser value (below £200,000) were taken by the Corporate Director. I have a general concern that officers have referred in interviews to decisions being 'signed off' by the Portfolio Holder with no clear understanding of what role, whether in terms of decision making, consultation or reporting back, he was actually carrying out.

Community programme procurement and accountabilities

27 Procurement within the Community Programme was generally well managed up to the point where recommendations were made for sign off by the then Corporate Director of Communities and Portfolio Holder at the end of October 2009.

28 Issues subsequently arose in relation to:

- the introduction of additional factors to the selection and approval process including the late introduction of a 'capacity building' element; and
- changes to the management of 'capacity building' element resulting in two unauthorised direct cash payments to organisations.

29 Including additional factors was contrary to good procurement practice, and to the Council's procurement rules that require 'clear and robust criteria' be published with the invitation to tender. The same rules also permit post tender negotiation, in special circumstances, but this must 'not put other suppliers at a disadvantage, distort competition or affect adversely trust in the competition process'.

30 In my view this is what happened when the Council applied these additional factors during the selection of contractors. In particular, following the introduction of 'capacity building' there is no evidence that this was made generally available to those organisations who had submitted weaker bids.

31 As with the Future Jobs Fund there is a lack of written records of when and what decisions were made, and by whom. However, as all contracts fell under the £200,000 delegation limit for corporate directors they could properly be taken at officer level. There is however no record that the Corporate Director of Communities exercised his delegated decision making authority.

32 Overall, this is not acceptable and indicates a failure by the Corporate Director of Communities to fulfil his responsibilities. In response, the then Corporate Director of Communities has stated that he was always conscientious in ensuring departmental records were maintained of delegated decisions and does not know why it was not done in this case.

The only explanation he could think of was that there may have been some ambiguity over governance given the initial involvement of One Nottingham.

33 A further failing in accountability occurred relating to the two 'capacity building' contracts for £15,000 each (later reduced to £12,500). It was agreed that these contracts should be managed by the City Council's Sports and Leisure Department, with in-kind support to the two partner organisations to 'build capacity'. Offer letters were sent out to confirm this.

34 However, direct payments were made to two organisations, with one payment going to a different (but linked) partner organisation than the original agreement. These changes were applied by an officer and were not in line with the original agreement. They were therefore unauthorised changes, and contravened financial controls.

Council response

35 The Council's initial response to these findings highlighted the context of intense national and local pressure to deliver on these programmes and that it has been successful in doing this. However, it also accepts that this review demonstrates that there should have been greater consistency around compliance and record keeping.

Ethical standards issues

The Code of Conduct

36 The main principles and rules governing member conduct are those parts of the constitution that relate to the Code of Conduct for Members (Code of Conduct), and Functions and Roles of corporate directors and Portfolio Holders. There are also broader public law and good governance considerations which should influence elected member behaviour.

37 I accept that the Portfolio Holder complied with the strict requirements of the Code of Conduct on registration of interests and declarations of interest at formal Council, Committee and Executive meetings. The registration and disclosure requirements under the Code of Conduct do not however govern the full range of Council business (insofar as they do not concern officer led meetings and decision making functions).

38 The Code contains wider general obligations, including, under paragraph 3(2)(d) that a member should not do anything which compromises or is likely to compromise the impartiality of officers. I am concerned that, whilst I do not consider that the Portfolio Holder deliberately set out to improperly influence officers, he may nevertheless, through failing to make appropriate disclosures and involving himself in discussions/a decision making meeting, have been in breach of paragraph 3(2)(d) of the Code. This provision clearly mirrors the general public law requirements as to transparency and probity in public authority decision making.

39 I have concluded that there is evidence that:

- the Portfolio Holder had links with certain of the organisations benefiting from funding under the Future Jobs Fund and Community Programme;
- he was involved in one officer led decision making meeting concerning one of those organisations with regard to the Future Jobs Fund; and
- he was involved in discussions with officers regarding the allocation of funding to one of those organisations under the Community Programme.

40 In my view, the Portfolio Holder's conduct may have been in breach of paragraph 3(2)(d) of the Code of Conduct (his conduct being his involvement in the meeting/discussions)– this is something that the Council may feel should be put to its Standards Committee. The confidential Appendix 3 gives details of the evidence I have taken into account in this regard.

41 In any event, the Portfolio Holder should have, on an ongoing basis, made these close connections clear to officers and not participated in any discussions regarding these organisations to protect the decision making process from being open to challenge.

42 Officers should also have been more aware of potential conflicts and been prepared to raise them with the Portfolio Holder in discussions. It is unreasonable to expect officers to be fully aware of both the registered and non-registered but relevant interests of all members. However, a specific risk had been highlighted in relation to this particular member upon his appointment as portfolio holder because of the extent of his community involvement and potential overlaps with areas falling within this particular portfolio.

43 As a consequence, it is not an unreasonable expectation that senior officers working with the Portfolio Holder should be alert to potential areas of conflict. This includes being aware of all registered interests and alert to other potential conflicts such as those arising from family members. They should also have been much more alert to the need to document any instances when the Portfolio Holder raised any conflicts.

44 This does not appear to have happened in relation to discussions relating to either the Future Jobs Fund or Community Programme. Although the then Corporate Director of Development has stated that he had raised concerns with both a senior officer and senior councillor regarding conflicts of interests arising from the Portfolio Holder's involvement with some of the bodies involved in the Neighbourhood Jobs and Training Steering group.

45 Similar allegations regarding this Portfolio Holder have been made in the past which resulted in a referral to Standards for England and an investigation which reported on 13 May 2010. This investigation concluded that the Portfolio Holder had failed to register certain interests but that he had not used or attempted to use his position improperly nor had he failed to declare any personal or prejudicial interests in any business of the authority. As a consequence no action needed to be taken.

46 In addition, the Portfolio Holder himself had sought and received advice on the need for a declaration of interests, for disclosure and for avoiding involvement in decision making in situations where those interests may have a bearing. This advice was given by the Council's Monitoring Officer in a letter to the Portfolio Holder on 6 May 2009, in anticipation of the Portfolio Holder's new duties. This letter clearly identifies the Portfolio Holder's own concerns, as well as those of the Monitoring Officer, and the advice given.

47 Following this advice the Portfolio Holder took steps to update his registered interests and review his involvement in certain organisations. In my view, despite these attempts to regularise his position, the Portfolio Holder failed to fully deal with the risks inherent in his carrying out the Portfolio Holder's function, given the extent of his community involvement.

48 The allegations covered by this report span the period June 2009 to April 2010. Although my investigation considered different allegations from those investigated by Standards for England, who reported in May 2010 my conclusions mirror some of Standards for England's key findings and it is therefore worth repeating them here as they relate to the matters covered by this report. The Standards for England, report, which found there to be

failings with regard to the register of interests but decided to take no further action, stated:

..... that a member with interests in so many different organisations would be well advised to seek the advice of the monitoring officer on what the Code requires whenever there are changes to his current interests.

..... However, and notwithstanding the priorities and important responsibilities imposed upon him by his role as portfolio holder, and by his extensive outside interests, [the Portfolio Holder] must be mindful of the overriding need for transparency in public life. It is my view that, if he had paid more attention to the requirements of the Code, he may not have attracted the current allegations, and attendant publicity.

It is,, somewhat inevitable that a member with a wide range of outside interests in the area for which they have portfolio responsibilities will cause questions to be raised about their interests. that there is an inherent risk for any member who is involved in the number of organisations that [the Portfolio Holder] is involved in, of inadvertently failing to consider the requirements of the Code to register those interests, declare those interests at meetings of the authority, and consider those interests when approaching officers of the authority.

Good governance and public law considerations

49 It should be remembered that these matters are not only governed by the Code of Conduct but also the requirements of good corporate governance and public law.

50 In 2007 CIPFA and SOLACE produced the *Delivering Good Governance in Local Government Framework*. Amongst other things this set out how principles of good governance could be applied in practice. This framework has subsequently been incorporated into the requirements for local authorities to prepare and publish an annual governance statement through the Accounts and Audit Regulations.

51 One of the core principles within the Framework is '*Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.*' An extract from the Framework in relation to this core principle is included at Appendix 2. As this states:

Good governance flows from a shared ethos or culture, as well as from systems and structures. It cannot be

reduced to a set of rules, or achieved fully by compliance with a set of requirements. This spirit or ethos of good governance can be expressed as values and demonstrated in behaviour.

52 In addition to the Code requirements, I am of the view that, there would have been the possibility for legal challenge on the basis of apparent bias on the part of officers, who although not directly or intentionally pressurised by the Portfolio Holder, might be said to have been influenced by his links with certain organisations. Portfolio Holders are some of the most senior members of the Council. Without adequate records to record actual discussions and any declarations made, it is impossible for the Council to conclusively rebut any such allegations. Moreover, the matters of concern referred to in this report are likely to undermine the Council's reputation for sound decision making and give rise, as has happened here, to allegations.

Partnership working – lessons for the future

53 Both the Future Jobs Fund and Community Programme were delivered in partnership. However, the role of partners as set out in the original bids did not fully materialise in practice, additional external organisations were brought in and the focus of funding was changed. As a consequence, some partners felt let down and had concerns around consistency and transparency. In my view the Council could have done more to allay these concerns by being more open and transparent about the need for changes and by ensuring everyone was given an equal opportunity to respond to these changes.

54 There is an opportunity to learn from this for the future particularly around the need for effective communication with partners. The CIPFA/SOLACE Delivery of Good Governance in Local Government Framework also provides some useful guidance on the how partners can be effectively engaged in a way that promotes accountability.

The Future Jobs Fund partnership in practice

55 The government launched its £1 billion Future Jobs Fund via the DWP in the March 2009 budget. The Council submitted a bid for first round funding at the end of June. There is much to commend the Council for in bringing forward so quickly a large, citywide programme to support the creation of jobs for long term unemployed young people and others who face significant disadvantage in the labour market.

56 However, I have identified a significant mismatch between the DWP funding submission and the actual level of partnership involvement in the Future Jobs Fund programme as highlighted in the table below.

Table 3: **Mismatch between bid and reality**

What was stated	What actually took place	Consequence
Partnership sign up to the programme	Bid submitted through ON partnership. It was signed off by the Chair of ON. No indication that ON partners considered the bid formally.	This runs a greater risk of the programme and its funding being seen as Council controlled.
The bid refers to the wider partnership sign up to the programme	While partners were engaged in the bid development process, they did not formally 'sign up' to the bid or in some cases, even see it.	There is no opportunity to check the bid reflects partners understanding of their

What was stated	What actually took place	Consequence
	The bid included a detailed appendix naming partner organisations along with an indicative split of placements.	roles and the programme more widely.
Governance - Bid refers to a steering group reporting to ON, constituted from sector reps.	Working Nottingham steering group not in place until July 2010 No such partnership was available or developed in time to oversee the commissioning/ procurement stage.	As a result, there was no mechanism for the formal engagement of wider partnership interests that would aid accountability and transparency. Instead all discussion and decision making was undertaken by the Council, with no effective mechanism to involve the wider partnership.

Source: NCC Future Jobs Fund Submission June 2009, and AC fieldwork Dec 2010

57 Some partners have expressed their concerns both to us and to the Council about aspects of how the Council went about assembling the partnership and presenting this in the bid, and how subsequently delivery arrangements were developed. Issues raised by partners included being:

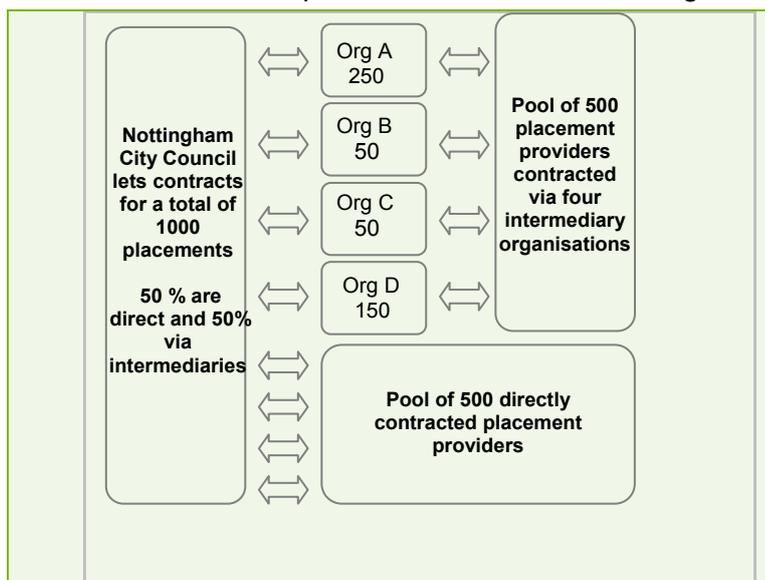
- unaware of the distinct roles of partner organisations versus the placement provider;
- unaware that they were presented in the bid as a partner, or that this was an opportunity they were offered;
- persuaded to combine their ambitions with the Council's, rather than bid in competition, on the basis that it would be a 'partnership of equals'. In time, this became straightforward client contractor relationship; and
- suspicious about the nature of the Neighbourhood Jobs and Training Steering Group. The group was named as a partner in the bid but other partners perceived group members as having too much influence and receiving preferential treatment.

58 One of the key concerns about inconsistency and the lack of transparency relates to the role partner organisations were invited to perform. In this report I make the distinction between placement providers and intermediary organisations. Placement providers in the Future Jobs Fund directly employed and supervised people in work. Intermediary organisations found placements in other work settings, and provided the support and training element. This was not a distinction that was clearly communicated or understood either at the time of assembling the bid or subsequently.

59 The bid included an appendix naming partner organisations along with an indicative split of placements across each organisation. The bid did not expressly limit the allocation of contracts to the organisations named in the bid but the appendix provided a clear indication of intent at that stage. However, the allocation of placement contracts turned out to be significantly different than the original indications in the bid. Four organisations ultimately secured around half the overall contract for placements, that is, 500 placements, or £5 million (figure 1 explains).

Figure 1: **Intermediary organisations**

About half of the 1000 placements were found through intermediaries



Source: Audit Commission

60 My review has confirmed that the shift to the use of intermediary organisations was in response to concerns raised by DWP and their preference for the use of a small number of intermediary organisations. Making the reason for this clear to partners would have been an easy way to allay concerns.

61 How intermediaries were then chosen is less clear. Two of the four organisations (A & B) were not named in the original bid. Their only connection with the bid was that they were members of the Neighbourhood Jobs and Training Steering Group.

62 The Neighbourhood Jobs and Training Steering Group, although not a decision making group, was identified as a partner in the Future Jobs Fund submission. It had recently been formed at the request of the Portfolio Holder, but the bid was not specific about who or what the group were or what its purpose was.

63 I can find no other explanation other than that Neighbourhood Jobs and Training Steering Group provided the route for organisations that had not been part of the pre-submission round of expressions of interest, to act as intermediary organisations.

64 I have found no evidence that this opportunity was offered to other partner organisations which would have been the most appropriate way of ensuring consistency of treatment. Whilst I accept that the Group may have carried out valuable functions in relation to the Programme, this lack of apparent even handedness and transparency was not, in my view, best practice and did not prove helpful to the Council in its relationship with some of its partners.

Development of the Community Programme partnership

65 The second element of the jobs plan I reviewed was the Community Programme. Concerns have been voiced about the way the partnership was treated here too. This programme was funded by Working Neighbourhood Funding (WNF) for which the Council is the Accountable Body and the ON partnership the authorising, or 'sovereign' body.

66 As with the Future Jobs Fund funded placements programme, at no stage did the ON Board discuss and agree in detail the volunteering programme. However, at an operational level there is evidence of engagement with partners. In my view the approach that was planned and implemented for establishing the volunteers' programme in this first phase was proportionate, reasonable and transparent.

67 On 25 September the ON Board agreed to delegate delivery of the Community Programme to the Chair (Leader of the Council). The Council hoped that the process would not need to be competitive and that partner organisations could be encouraged to work together, however, in many areas more than one bid was received. The bids were therefore considered by the panel and as already noted in paragraph 27 in October 2009 recommendations were made regarding selection.

68 The subsequent changes to the criteria used for assessment and selection and the addition of capacity building support were not communicated to partners. As a consequence there was no opportunity for other partners to express an interest in being considered for capacity building support which would have been the most appropriate way of ensuring consistency of treatment.

Appendix 1 The Nottingham Jobs Plan

Table 4: **The Nottingham Jobs Plan**

Nottingham's Future Jobs Fund and the Community Programme aimed to provide working opportunities for 1,600 people

Element in plan	Nature of the support	Funding	Jobs
Community Programme	Voluntary sector opportunities	£1.5m	600
Public Apprenticeships	Apprenticeship placements within the public and voluntary sectors including at Nottingham City Council		350
Enterprise Programme	Giving people the support they need to setup their own businesses		350
The Future Store	Retail skills academy: a new training facility for people interested in retail careers		
Future Jobs Fund	Creation of paid jobs for up to 12 months, with training and support	£10.7m	1000
Nottingham Jobs Fund	Creation of paid jobs for up to 12 months, with training and support, where ineligible for the Future Jobs Fund		

Appendix 2 Extract from CIPFA/SOLACE Delivering Good Governance in Local Government Framework

Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

69 Good governance flows from a shared ethos or culture, as well as from systems and structures. It cannot be reduced to a set of rules, or achieved fully by compliance with a set of requirements. This spirit or ethos of good governance can be expressed as values and demonstrated in behaviour.

70 Good governance builds on the seven principles for the conduct of people in public life that were established by the Committee on Standards in Public Life, known as the Nolan principles. In England, the Local Government Act 2000 outlined ten principles of conduct – an additional three to those identified by Nolan – for use in local government bodies. The Nolan seven principles and additional three principles are included in the guidance notes accompanying this Framework.

71 A hallmark of good governance is the development of shared values, which become part of the organisation’s culture, underpinning policy and behaviour throughout the organisation, from the governing body to all staff. These are in addition to compliance with legal requirements on, for example, equal opportunities and antidiscrimination.

Table 5: **Supporting principles**

Supporting principles	The local code should reflect the requirement for local authorities to:
<ul style="list-style-type: none"> ■ Ensuring authority members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance. 	<ul style="list-style-type: none"> ■ ensure that the authority’s leadership sets a tone for the organisation by creating a climate of openness, support and respect; ■ ensure that standards of conduct and personal behaviour expected of members and staff, of work between members and staff and between the authority, its partners and the community are defined and communicated through codes of conduct and protocols;

Supporting principles

The local code should reflect the requirement for local authorities to:

-
- put in place arrangements to ensure that members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice;
-
- Ensuring that organisational values are put into practice and are effective.
 - develop and maintain shared values including leadership values for both the organisation and staff reflecting public expectations, and communicate these with members, staff, the community and partners;
 - put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice;
 - develop and maintain an effective standards committee
 - use the organisation's shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the authority; and
 - in pursuing the vision of a partnership, agree a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners' behaviour both individually and collectively
-

Source: CIPFA/SOLACE Developing Good Governance in Local Government Framework 2007

Appendix 3

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