

audit 2000/2001

Best Value Audit Report – BVPP 2001/2002

East London

Waste Authority

(ELWA)

INSIDE THIS REPORT

PAGE 2

- Purpose of report
- Overall conclusions
- Main findings

PAGE 3

- Respective responsibilities of the Authority and the auditors
- The Best Value Performance Plan 2001/2002

PAGE 4

- Integrating best value into the Authority's business
- Performance management

PAGE 5

- Improving services
- Responding to challenge

APPENDIX 1

- Statutory audit certificate and opinion

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DISTRICT AUDIT

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KEY MESSAGES

Purpose of report

This is the report that the auditor is required to provide on the Best Value Performance Plan (BVPP) under Section 7 of the Local Government Act 1999.

Our statutory certificate and opinion are attached at Appendix 1.

The purpose of the report is to inform Members and chief officers of the key issues which arose from the audit of your second BVPP and the actions which are required.

This year's audit of the BVPP has, in line with the requirements of the Code of Audit Practice, been integrated with the rest of the audit.

Our work included a detailed follow-up of progress against recommendations made at your first BVPP audit and an assessment of overall progress in relation to best value.

Overall conclusions

The Authority has devoted significant resources to its Private Finance Initiative (PFI) procurement process, which it is conducting in line with best value principles. Once this contract has been let the key challenges will be to develop a comprehensive performance management framework to fit the new organisational structure, and to integrate subsequent best value reviews with the normal business of the Authority.

This Statutory audit report which was issued on 29 June 2001:

- includes an unqualified opinion
- contains one main recommendation which requires a formal response from the Authority
- does not recommend that the Audit Commission should carry out a Best Value inspection or that the Secretary of State give a direction.

Main findings

The BVPP contains the information required by statute, and provides users with a helpful perspective on the Authority's operations. However, systems to ensure the accuracy of published performance data need to be improved.

The Authority is in the process of letting a long-term contract for the provision of its services. The resource requirements of this procurement process are intensive, and a pragmatic decision has therefore been taken to conform as closely as possible to best value requirements in the letting process, in place of more formal best value reviews.

A basic framework for best value is in place, but this will need to be revisited once the contract has been let, to ensure that it is congruent with new organisational arrangements. In particular the performance management framework will need to be strengthened to ensure that the new contract can deliver best value.

It is difficult to compare the Authority's performance reliably with that of other London Joint Waste Disposal Authorities (JWDAs), due to the inaccuracy of some key aspects of the BVPI data. However, the Authority recycles at most 7.5% of its household waste, the lowest proportion of the four London JWDAs. The new contract is designed to improve performance on this key environmental indicator.

The Authority must consider this report and formally respond to the statutory recommendation contained within it within 30 working days.

1

Respective responsibilities of the Authority and the auditors

Under the Local Government Act 1999, specified local government bodies are required to comply with the general duty of best value, which is defined as making arrangements to secure continuous improvement in the way in which their functions are exercised, having regard to a combination of economy, efficiency and effectiveness. The audited body is required to publish annually a BVPP, which summarises the body's assessments of its performance and position in relation to best value. The audited body is responsible for preparing the BVPP and for the information and assessments that are set out within it, and the assumptions and estimates on which they are based. It is also responsible for putting in place appropriate performance management and internal control systems, from which the information and assessments in the BVPP are derived.

Auditors should consider and report on whether the audited body has complied with statutory requirements in respect of the preparation and publication of its BVPP.

Auditors are not required to form a view on the completeness or accuracy of the information or the realism and achievability of the assessments published by the audited body in its BVPP.

2

The Best Value Performance Plan 2001/2002

The BVPP contains the information required by statute, and provides users with a helpful perspective on the Authority's operations. However, systems to ensure the accuracy of published performance data need to be improved.

Compliance

The BVPP contains the information required by statute and follows good practice guidance reasonably well. However, systems to support some BVPIs were not sufficiently reliable, and should be strengthened.

Distribution

The BVPP was available by 31 March as required by statute, and placed on the Authority's website. Its existence was advertised through the BVPPs of the constituent boroughs. Whilst this does not fully comply with the legislative requirements to circulate a summary to all households in the area it does represent a pragmatic attempt to publicise the BVPP at reasonable cost.

Impact

The BVPP is attractively designed, although the presentation could have been improved by breaking up more of the larger blocks of text.

Value

The BVPP should be valuable to stakeholders in enabling a wider understanding of the Authority's business and the issues that it faces.

Recommendation

Continue to consider additional ways to publicise the BVPP: to ensure that it reaches as many stakeholders as possible.

3

Integrating Best Value into the Authority's business

A basic framework for best value is in place, but this will need to be revisited once the contract has been let, to ensure that it is congruent with new organisational arrangements. In particular the performance management framework will need to be strengthened in order to ensure that the new contract can deliver best value.

Corporate framework

A basic corporate framework to address the requirements of best value has been established, and the draft contract terms contain provisions to ensure that the contractor facilitates the achievement of best value. However, once the contract has been let the shape of the organisation will change fundamentally. The Authority will need to develop a stronger client-side to manage this, and will also need to:

- formally agree a new management and corporate governance framework
- clearly define the links with its constituent boroughs through a consultation strategy
- ensure that its staff have the appropriate skills to manage in the new environment.

Culture

The Authority has taken a pragmatic approach to best value to date, due to the intensive requirements of its procurement process. However, Members and officers have accepted the underlying principles of best value.

Training

To date the contract letting process has made extensive use of consultants to provide legal and technical expertise. Whilst this approach is reasonable the Authority should ensure that it develops the necessary in-house skills to manage the contract once the consultants' role has been completed.

Recommendations

Formally agree a new management and corporate governance framework: to prepare for the new type of organisation that ELWA will become following the letting of the contract

Prepare a consultation strategy: as part of the wider process of defining links with constituent boroughs

Identify and address staff training and development issues: to ensure that the Authority is able to optimise its future reliance on consultants.

4

Performance management

The performance management framework will need to be strengthened following the letting of the contract. Particular attention will need to be paid to the way in which data is collected and monitored, to ensure that contract performance standards can be maintained.

Performance management framework

The procurement process, not unreasonably, has dominated the Authority's approach over the last 18 months. However, a more complete performance management framework will be required once the contract has been let, ensuring that all activities are subject to the same rigorous performance management and monitoring as the contract letting process has been.

A key barrier to overcome will be the current difficulties with producing accurate and

reliable performance data, without which effective contract management will be impossible.

Performance measurement

The authority is responsible for preparing data for 14 BVPIs. Of these we found that the published estimates for 2000/01 were significantly overstated for measures of public satisfaction with the overall service provided by the authority and handling of complaints. Furthermore the percentage of household waste incinerated was significantly understated, which also undermines the reliability of data showing how other household waste was disposed of. Although we are satisfied that the BVPP overall represents a reasonable summary of performance it is important that quality assurance processes for the production of BVPIs is improved.

Recommendation

Main recommendation

Introduce a quality assurance system covering the collection and reporting of performance information

5

Improving services

To date the authority has made a pragmatic decision to use its procurement process as a proxy for best value, and has recast its programme of future reviews to fit the new requirements of the organisation. Significant challenges need to be met to ensure that subsequent best value reviews can be delivered.

Best Value reviews

The programme of formal best value reviews now reflects the key organisational issues facing the authority over the next four years. Delivering these successfully will be essential to the performance of the new contract. The Authority should ensure that it has a robust methodology in place to carry

out these reviews, tailored to the circumstances of a JWDA, and give a high priority to project management, resourcing and progress reporting of the reviews.

The Authority's constituent boroughs are also carrying out their own programme of best value reviews. Reviews of waste collection services carried out by the boroughs are important to the Authority. However, at present there is little or no congruence between the boroughs' planned reviews of waste collection services. Bringing these together would be of significant benefit to the Authority. We recognise that ELWA cannot control the timing of the boroughs' reviews, but it can clearly exercise influence, sharing as it does Members and senior officers.

Outcomes

The inaccuracy of ELWA's BVPIs makes meaningful comparison of performance with other London JWDAs difficult. However, it does seem clear that the current rate of recycling is low, and needs to be addressed through the new contract.

Recommendations

Develop a robust methodology for carrying out reviews: to ensure that the reviews are best placed to deliver positive results.

Report regularly to the Management Board on progress with best value reviews: to ensure that the programme is kept on track and given suitable priority on the management agenda.

Seek greater congruence in the timing of the best value reviews of waste collection by ELWA's constituent boroughs: to help ensure that opportunities for service enhancement can be identified.

6

Responding to challenge

The Authority is responsive to external challenge.

There has been a positive response by the Authority to previous audit recommendations, and we understand that liaison arrangements with the best value inspectorate have been established.

There may be scope to improve the realism of agreed actions in response to external recommendations, in particular by ensuring that progress against these is reported on a regular basis to the Management Board and Members.

Recommendation

Following external reviews progress against agreed action plans should be reported to the Management Board on a regular basis: to ensure that planned improvements take place.