

**Management Report to Audit and Governance Committee 20/01/2020 on actions taken in relation to the implementation of three outstanding recommendations raised in the 2016-17 Amey – Streetcare contract audit report.**

**Lead Officer: Jonathan Lund (Corporate Director)**

**Summary of Audit Area**

The Streetcare Partnership was set-up in January 2007 with Accord Operations Ltd, with an initial annual value of £5.4m and a contract expiry date of 31<sup>st</sup> March 2022 (extension option is available). The services provided in the contract are for waste collection and recycling, street cleansing and grounds maintenance. In September 2007 Accord Operations Ltd was taken over by Enterprise and then on 9<sup>th</sup> April 2013 they were acquired by Amey.

During 2016-17, Internal Audit undertook a review of the governance, service provision, charges and performance systems and processes employed by Neighbourhood Services in the management of the contract. This review identified a number of issues with the management of the contract, which resulted in four high and three medium priority recommendations being raised by Internal to strengthen the control environment. Limited assurance was given against the control environment and satisfactory assurance for risk management.

A subsequent follow-up by Internal Audit in 2017-18 to establish the progress in completion of the agreed actions against the recommendations highlighted that two high and one medium priority recommendations, although progressing, remained outstanding at the point of the review.

This report from the Corporate Director provides the Audit and Governance Committee with an update to the status of the outstanding recommendations (see Appendix A).

### Streetcare Contract – Outstanding Internal Audit recommendations

2016-17 Recommendation 5 Category: High	2016-17 Management Response
<p>The following information should be obtained, recorded in an appropriate centralised document held by Neighbourhood Services and regularly kept up to date:</p> <ul style="list-style-type: none"> <li>• Cost of the work/service being provided by Amey;</li> <li>• Number of operatives or hours required;</li> <li>• Equipment or vehicles;</li> <li>• Health and safety issues and regulations applying;</li> <li>• Type and level of monitoring for service quality performed;</li> <li>• Locations or sites; and</li> <li>• Reference to other documents such as sites and locations covered, schedule of the work pattern, contract or variation order, etc.</li> </ul> <p>In addition, ODSs should be written for the identified services that currently do not have one.</p>	<p>It is intended moving forward that Amey's annual service delivery plan, to be submitted in February of each year, will include the above information. As per contract requirements, Amey have been formally notified of the need for quarterly financial information to cover the core services (as set out within the contract) to provide greater clarity and transparency around the cost of services.</p> <p>Discussions will be undertaken with AMEY on the development of an up to date set of documents that maps out what services AMEY deliver, where, when, the level of resource required to undertake that work and its cost. It is then expected that this set of documents can be attached to the annual service delivery plan for reference purposes.</p> <p><b>Expected completion date:</b> 31<sup>st</sup> March 2017</p>
<p><b>Management update to the September 2017 Audit and Governance Committee</b></p>	
<p>The 2017 Service Plan was prepared and scrutinised by Overview and Scrutiny Committee on 10<sup>th</sup> July 2017. Discussions currently in place with Amey prior to the provision of their 2018 Service Delivery Plan which will include the information set out in this recommendation.</p> <p>Actioned: Yes.</p>	
<p><b>Internal Audit 2017-18 follow-up</b></p>	
<p>The June 2017 Service Delivery Plan, created by Amey, was approved by the Overview and Scrutiny Committee on 10<sup>th</sup> July 2017. It does not include the areas as recommended by Internal Audit due to the timing of the creation and issue of the Plan. However, the Streetcare Contract Client Officer confirmed that Amey will include the recommended areas in the 2018 Service Delivery Plan. In addition, Amey will write the Operational Delivery Statements for the identified services.</p>	
<p><b>Management update to the January 2020 Audit and Governance Committee</b></p>	
<p>A 2019 Service Plan has been prepared and adopted and Amey will attend the Overview and Scrutiny Committee Meeting on 6 January 2020 to present the plan and answer questions from the O&amp;S Committee.</p>	

<b>2016-17 Recommendation 6 Category: Medium</b>	<b>2016-17 Management Response</b>
<p>The key performance indicators should be reviewed and updated to include strategic, operational and quality related targets that correctly reflect the health and performance of the service provision. Appropriate financial sanctions for non-achievement of targets should also be determined, approved and applied in accordance with the contract.</p>	<p>During February 2017 it is the Council's intention to commence formal negotiation with Amey in respect of developing a suite of operational and strategic performance indicators supported by a financial performance mechanism. Putting an enforceable regime in place would require a formal variation to the contract (which would need to be approved by both parties to the Contract).</p> <p><b>Expected completion date:</b> 30<sup>th</sup> April 2017</p>
<b>Management update to the September 2017 Audit and Governance Committee</b>	
<p>A draft suite of 33 Key Performance Indicators were presented to Amey and subsequently discussed and agreed at a meeting on 5<sup>th</sup> July 2017. Actioned: Yes.</p>	
<b>Internal Audit 2017-18 follow-up</b>	
<p>The Streetcare Contract Client Officer confirmed that Amey management at 5<sup>th</sup> July 2017 meeting provided verbal agreement to the proposed suite of Key Performance Indicators (KPIs). There are no minutes of the meeting and as at 4<sup>th</sup> October 2017 Amey management has not provided formal agreement to the KPIs. In addition, the KPIs as presented to Amey management did not detail the individual performance targets and therefore the point when financial penalties would first be applied.</p> <p>The Streetcare Contract Client Officer has contacted Amey management on 3<sup>rd</sup> October 2017 to agree an action timeline to ensure implementation of the proposed KPIs for the start of the 2018-19 financial year.</p>	
<b>Management update to the January 2020 Audit and Governance Committee</b>	
<p>A suite of KPIs with non-compliance penalty provisions has been agreed and adopted and a contract variation has been agreed to incorporate the KPIs into the contract documentation.</p>	

<b>2016-17 Recommendation 7 Category: High</b>	<b>2016-17 Management Response</b>
<p>Neighbourhood Services management should determine and formalise the monitoring regime for this contract in relation to the following:</p> <ul style="list-style-type: none"> <li>• Checks to be performed on the KPI results produced by Amey; and</li> <li>• Monitoring to be performed of Amey performance of the service provision.</li> </ul> <p>Documentary evidence of the agreed checks should be retained for management purposes.</p>	<p>The Council will seek access to AMEY's complaints system so that periodic checks can be carried out on performance data submitted by AMEY. In addition, the formal performance audits undertaken by Neighbourhood Managers (which commenced in December) can be used to validate performance information submitted by Amey.</p> <p><b>Expected completion date:</b> 31<sup>st</sup> March 2017</p>
<b>Management update to the September 2017 Audit and Governance Committee</b>	
<p>KPIs are discussed at Monthly Operational Project Group meetings and also questioned and challenged at Strategic meetings. Monthly Contract Monitoring forms were introduced in January 2017, which are completed by the Operational Leads of the four Services areas. Actioned: Yes.</p>	
<b>Internal Audit 2017-18 follow-up</b>	
<p>There was no documentary evidence detailing the monitoring regime to confirm the accuracy and completeness of the Amey KPI results. However, until the new KPIs have been formally approved and targets agreed it may be premature to formulate and document such a regime until completed. The Client Officer issued instructions on 7<sup>th</sup> February 2017, to all Operational Leads detailing how to complete an agreed monitoring form and indicating completion of 10 inspections. A review of the completed Contract Monitoring reports highlighted that 10 inspections per service operation was not always performed. In addition, the results also showed high levels of issues with Amey work relating to the City centre, streets and ground maintenance. A summary of the level of inspections and failures are not reported to the bi-monthly Strategic Performance meeting. This information could prove beneficial to the group when reviewing and discussing Amey performance.</p> <p>In addition, it may also be useful to obtain details of the results of Amey supervisory inspections on work performed by their operatives in order to gain additional assurance of their performance.</p>	
<b>Management update to the January 2020 Audit and Governance Committee</b>	
<p>Monthly audits are carried out for Waste and recycling, Street Cleansing and Grounds Maintenance by the City Council client team and Amey management which are reflective of the KPI detail. Records are shared with the wider team and are available on request and an agenda item has been added to the Bi-monthly strategic meeting where an overview of inspections will be given by the relevant client team officer.</p>	