

Southend-on-Sea City Council

Agenda
Item No.

Report of the Deputy Chief Executive and Executive
Director Finance and Resources

To

Audit Committee

23 March 2022

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Vecteo update

A Part 1 Public Agenda Item

1. Purpose of Report

- 1.1 To update the Audit Committee on the progress made in delivering the work required in respect of the special educational needs and disability (SEND) passenger transport provision provided by Vecteo, that was agreed by resolutions of Council on 25 November 2021.
- 1.2 To provide a summary overview of the findings of the work that has been undertaken, including the main themes and the key actions planned to improve the current service and to ensure improvements for any such service delivery vehicles used in the future, and to note the progress that has been made with the Council's arrangements for working with the company.

2. Recommendations

- 2.1 **The Audit Committee notes (i) the progress made in delivering the review work required in respect of the SEND passenger transport contract, (ii) the overview of the findings of the work that has been undertaken, and (iii) the progress that has been made with the Council's arrangements for working with Vecteo.**
- 2.2 **That the Audit Committee requests that a further update on progress and delivery of the agreed actions contained within the different reports as detailed at Council minute 486 of the 25 November 2021 be brought back to the Audit Committee in July 2022.**

3. Background

- 3.1 Since March 2020, Southend Travel Partnership Limited has been responsible for the delivery of "core services" on behalf of the Council, comprising:
 - SEND Home to School transport
 - Adults with Learning Disabilities transport
 - Supervised Contact
 - Dial-a-ride
 - Independent Travel Training.

- 3.2 Southend Travel Partnership Limited (Company number 12087470), a joint venture company, was specifically set up to provide transport services within the then Southend Borough, now City. The joint venture partners are Southend-on-Sea City Council (the Council) and London Hire Community Services (LHCS). The trading name, 'Vecteo' was voted for by service users who attend the day centre at Project 49. For the purpose of this report, both the trading name of Vecteo and the term 'JVC' shall be used when referencing the joint venture company and will mean one and the same.
- 3.3 Whilst there are legal agreements that set out the partnership responsibilities and arrangements, the delivery of the transport services is governed through a Services Agreement between the Council, LHCS and Southend Travel Partnership Limited (Vecteo) who are responsible for overseeing service delivery. The contract management team is responsible for managing the Council's relationship as a client with Vecteo and ensuring Vecteo satisfies and complies with the requirements and obligations in the Services Agreement.
- 3.4 At the start of the new school term in September 2021 new transport arrangements commenced to transport around 350 SEND students to and from their respective educational establishments. This new service performed poorly with some serious incidents occurring in the first few weeks. As a result of difficulties that had been experienced by service users, at a meeting of the Council on 25 November 2021 four resolutions were agreed (Minute 486). These are set out at **Appendix 1**.
- 3.5 Of the four resolutions work was required from internal audit in respect of resolutions two and three, and work was required from other departments of the Council in respect of resolution four. The progress of and findings from those pieces of work are reflected in this report.

4. Major themes from the different reports

- 4.1 **Lack of robust planning** (by both the Council & Vecteo) - Some implementation plans were developed but not always utilised, whilst other areas had no specific plans. Plans for business continuity / disaster recovery had not been prepared in advance of the new delivery model commencement when the main challenges were experienced. The Council lacked a structured approach to the new service mobilisation and did not ensure that the necessary Vecteo plans existed and were being utilised. Assurance was often taken on face value, without reference to underlying evidence.
- 4.2 **Lack of robust systems or procedures** (by Vecteo) – Gaining factual, reliable information on the performance of the service has proved extremely challenging. Dealing with complaints and contractual compliance have also proved difficult as a result. This is still a current issue, but work is being undertaken to address this through the implementation of a new system (Cordic) that is due to go live in March 2022.
- 4.3 **Lack of clarity around roles, responsibilities and accountabilities** (by both the Council & Vecteo) – Various documents around partnering are in place, but there was little clear understanding around individual responsibilities and the responsibilities of the various stakeholders. This has improved but still requires further work.

- 4.4 **Lack of key business and commercial skills** (by the Council) – The Council has experience as a client, but not as being the contractor, and limited as Directors of a commercial company. This has meant the Vecteo company board has not performed as would have reasonably been expected of a company board introducing a new service and facing significant challenges in doing so. This remains a significant issue, but is being addressed (see section 12).
- 4.5 **Lack of communication / engagement between stakeholders** (by Vecteo) – One of the main criticisms from the customers through different forums is the lack of information, advance notifications or engagement with them, especially at the start of the September 2021 school term when the service they were going to receive was different from that they had previously experienced. This contributed to the dissatisfaction and complaints that were raised in the early weeks of September. However, the customer satisfaction survey undertaken by the Council in December 2021 indicates that there has been a significant improvement in the service provided and the communication by Vecteo in the period since the beginning of the term (see section 7 below).
- 4.6 **Lack of a Council corporate owner of the JVC** (by the Council) – No officer within the Council is identified as being responsible for Vecteo as a commercial company. This has meant that officers who are either the client or commissioner are getting drawn into ‘business matters’ and this creates a conflict as well as resulting in inexperienced staff dealing with matters that it is not appropriate for them to have to deal with. This is now being addressed by the Council (see section 12).

5. Council Resolution 2: PricewaterhouseCoopers (PwC) investigation into delivery of the contract

- 5.1 Since the beginning of the JVC, a number of issues have materialised in relation to transport services in Southend. In particular, a number of child safeguarding issues arose in September 2021, including one particularly serious incident. The relevant issues have been reported to the Local Authority Designated Officer (LADO) and the serious incident did require formal escalation. Despite the importance of the other issues that had arisen and the need for resolutions to avoid their occurrence, they did not meet the threshold requiring them to be escalated further.
- 5.2 In this review, PwC directly interviewed Vecteo staff and inspected records to understand Vecteo’s systems processes and controls. In particular, PwC assessed Vecteo’s ability to demonstrate whether it is meeting the contract’s Minimum Service Requirements (MSRs), as well as Vecteo’s regular Management Information reporting to the Council.
- 5.3 Regarding the MSRs, PwC performed detailed interviews and document inspection for each requirement to identify Vecteo’s compliance. There are 12 MSRs contained in the service agreement. Of these, two continue to be managed by the Council alongside Vecteo’s subcontractors, who are delivering the service, and with which Vecteo currently has no direct involvement.
- 5.4 Of the remaining ten MSRs, Vecteo was largely able to demonstrate compliance with five of these MSRs, and was partially able to demonstrate compliance with a further three. Vecteo was unable to demonstrate compliance with the remaining two MSRs because it did not have relevant data in these areas.

- 5.5 PwC noted that Vecteo’s ability to evidence adherence to the MSRs had improved between September and November 2021. Of the five MSRs where Vecteo could largely demonstrate compliance in November 2021, as of September Vecteo was unable to demonstrate compliance with three of these MSRs.
- 5.6 However, this applies only to direct delivery, and PwC were largely unable to evidence compliance with MSRs by Vecteo’s subcontractors, due to a lack of reporting framework implemented by Vecteo in relation to subcontractor performance. Vecteo was only largely able to demonstrate compliance by its subcontractors with one of nine relevant MSRs. PwC evidenced that Vecteo is sending templates to subcontractors to facilitate this reporting.
- 5.7 PwC further identified a number of issues with Vecteo’s internal reporting, which means it is unable to provide complete management information to the Council. As a result it is likely that some of the information previously provided in weekly reports was inaccurate due to non-inclusion of subcontractor data, and insufficient retention and processing of some relevant data by Vecteo (eg. in the case of complaint logging).
- 5.8 Vecteo is introducing a new system (Cordic) that will be used to resolve these issues, collect relevant data and provide reporting for agreed performance information to the Council.
- 5.9 In addition, the metrics contained in the reporting that was provided does not reflect the Key Performance Indicators that are specified in the services agreement, and would be unlikely to provide a reasonable picture of Vecteo’s contractual performance, even if reported accurately.
- 5.10 PwC have therefore noted a number of issues in both the delivery and reporting in relation to the contract.
- 5.11 However, whilst the Council contracts out service provision, it retains overall statutory responsibility for delivery. Moreover, the Council would likely suffer significant reputational damage as well as regulator scrutiny if any safeguarding issues were to occur.
- 5.12 Therefore, deficiencies in the Council’s own internal governance procedures have also been identified and reported. These were highlighted in the previous internal audit report – see section 10 below but it is emphasised in particular the need to allocate clear roles and responsibilities within the Council, in its capacity both as a shareholder of the company, and as a customer of the company. Robust contract management arrangements are needed to ensure the Council is able to obtain assurance over Vecteo’s contractual performance.
- 5.13 Various areas have been identified where the Council has had the opportunity to better manage its oversight of the Service. For example, the need for risk assessments in relation to routes and children has not been clearly defined within the services agreement, including the scope of and level of detail in these risk assessments, and whether these are produced on a per route or per child basis. Such risk assessments are important for managing and mitigating safeguarding risk, so the scope of what they should cover and the arrangements to produce suitable risk assessments needs to be agreed and delivered by the most appropriate party.

- 5.14 The Council is both a shareholder, interested in protecting and developing the value of its investment in Vecteo, and a client interested in ensuring it receives the service it has contracted to receive from Vecteo, meaning the Council has different relationships with the company that are rightly focussed on different things. The Council needs to ensure that these roles are clearly defined and adequately split from each other to ensure that conflicts of interest do not arise and that individuals can fully deliver the elements of the role that they are given responsibility for.
- 5.15 The Council would also have benefited from performing an assessment of Vecteo's readiness to perform the service prior to go live, and established a clear strategy for communication with parents of Service Users.
- 5.16 Moving forwards the arrangements to manage the relationship between the Council and Vecteo need to work more effectively, with the agreed programme of meetings taking place consistently, agreed informal lines of communication being implemented and a formal escalation protocol introduced, so that issues arising can be communicated and addressed more efficiently.
- 5.17 The detailed report of these findings is being drafted and recommended actions will be discussed and agreed with all of the parties to the contractual arrangements once the Council's updated arrangements for managing its relationship with the company are in place, so that the desired improvements can be achieved.

6. Resolution 3: Internal Audit (Mazars) investigation into awarding of the contract

- 6.1 Work is being undertaken by the procurement specialist auditor from Mazars reviewing the following areas of the award of the contract:

Area 1: Strategic Assessment and Business Justification (Strategic Outline Case)

- 6.2 A report from Corporate Procurement was presented to the People Directorate Management Team on the 14 July 2016 and recommended that:

'... SBC changes the current way it runs passenger transport to address day to day issues, improve operational inefficiencies and lower the cost of service delivery.'

- 6.3 The July 2016 report was taking forward an earlier '*Passenger Transport Services Review*' that had itself been informed by earlier feedback sessions held with both the then current providers of the services and service area of the Council that had identified a number of issues.

- 6.4 This work was brought forward in two separate reports to Cabinet on 7 November 2017:

- Passenger Transport – Policy Changes: setting out the proposed changes that would be introduced in respect of the Council's policies for providing passenger transport
- Passenger Transport – Operating Model and Procurement Process: setting out the proposed approach to implementing a new operating model for passenger transport and the procurement process that would be followed to deliver that.

- 6.5 The business justification for making changes to the Council's passenger transport arrangements was clearly set out in 2016 and has remained consistent to date.

Area 2: Procurement Governance (including Change Authority)

- 6.6 A formal governance structure was first noted in the '*Passenger Transport (PT) Procurement Review Group*' report on 22 December 2016.
- 6.7 Of three options, it recommended that as the Department of People has the remit for passenger transport as a business area, that its Major Project Board was an appropriate governance structure to oversee the procurement. From the initial documents provided, we have not noted any involvement of the Major Project Board, although this is still being confirmed.
- 6.8 Various iterations of documents identified key project team and procurement roles throughout 2016 to 2018, including the appointment of an external transport consultant 'STAR'. Various iterations of documents have identified project and procurement timelines that have needed to be revised on a number of occasions.
- 6.9 One issue has been identified to date in respect of the oversight provided by the Major Project Board. Further work is being undertaken in this area.

Area 3: Contract Strategy

- 6.10 To develop detail for the strategic outline case, an external transport consultant was appointed to review existing practices and undertake an in-depth analysis.
- Phase 1 Consultation*
- 6.11 A Phase 1 review was undertaken during the latter half of 2016 by the external transport consultant. This involved in-house consultation with all service areas that commissioned and procured transport, and external consultation with some other Local Authorities, some then current transport providers and potential transport providers. The review identified a number of key issues, including a lack of strategy and policies related to eligibility to receive services and a need to address the balance between price and quality of service provision.
- 6.12 A '*first communication*' with Schools, Day Centres for Adults with Learning Disabilities, Users for Dial-a-Ride and Parents / Carers of those using those facilities was undertaken to inform them of the review, intention to streamline and improve the service, review existing policies and invite feedback as part of Phase 2.
- Phase 2 Consultation*
- 6.13 A Phase 2 consultation exercise was undertaken between 14 July 2017 and 10 October 2017 and was reported in a '*Consultation – Users and Stakeholders Feedback Report*'. The document noted responses to key questions, identified key concerns and made recommendations to take forward into policy reviews. Annexes to the report note the then current status of the service provisions and then clearly sets out the proposed changes for each of them.
- 6.14 The results of this work and detailed policy documents for the four areas under review were set out in the report to Cabinet on 7 November 2017 '*Passenger Transport – Policy Changes*'. The initial policy documents are consistent with the outcomes of the consultation document.

- 6.15 Cabinet resolved to approve all four policies without amendment. The decision was called in to Policy and Resources Scrutiny Committee on 30 November 2017. It noted that it had a number of issues concerning impact on vulnerable people; changes to Dial-a-Ride service and operating times and was concerned that the matter had not been considered by the People Scrutiny Committee. Therefore the committee resolved that the matter be referred back to Cabinet for reconsideration and that following that, the matter be eligible for call in to People and Policy & Resources Scrutiny Committees.
- 6.16 The policies were reconsidered by Cabinet on 9 January 2018 where it was noted that it had considered a revised report, although we did not note any discernible differences in the report or appendices (that contained the policies) to it.
- 6.17 Cabinet resolved that all four policies be approved, concluding the policy consultation and designs with no amendment from the original policy documents proposed, those having been consistent with the outcomes of the '*Consultation – Users and Stakeholders Feedback Report*'.
- 6.18 No issues have been noted in this area of work.

Area 4: Market Building

- 6.19 On its appointment in 2016, the external transport consultants undertook a Phase 1 Consultation with current and other economic operators which led to the '*Passenger Transport (PT) Procurement Review Group*' report in December 2016 noting the output of the review and making provision for a further Phase 2 consultation.
- 6.20 The phase 2 consultation included undertaking further research and analysis of three recommended delivery models as well as exploring other options with six potential alternative suppliers. Nine current suppliers were informed of the intention to tender the service provision. The Phase 2 consultation was therefore wide and included a variety of larger and smaller service providers.
- 6.21 Prior to the procurement phase starting in July 2018, a '*Provision of an Integrated Transport Solution Supplier Information Event*' was held on 9 March 2018.
- 6.22 No issues have been noted in this area of work.

Area 5: Procurement Strategy (Outline Business Case, Options Appraisal and Authorisation to Proceed to Procurement including Scheme of Delegation and Authorisation of Exemptions / Waivers)

- 6.23 As a precursor to recommending and deciding an appropriate procurement route, it was necessary to determine a preferred passenger transport operating model.
- 6.24 The '*Passenger Transport (PT) Procurement Review Group*' report in December 2016 presented five operational models identified by the external transport consultants each of which would require specific procurement processes to realise. Three were taken forward for further consultation and consideration.
- 6.25 The Phase 2 consultation with then current and some other transport suppliers took place between 1 January and 14 April 2017 and considered the three sustainable delivery models previously identified.

- 6.26 The report to Cabinet on 7 November 2017 '*Passenger Transport - Operating Model and Procurement Process*', resolved that a partner be procured 'to develop a 'For Profit' JV partnership as the recommended operating model for providing all its passenger transport services' and that a 'full procurement procedure (either competitive dialogue or open procedure)' be used to procure that.
- 6.27 This confirmed the delivery model as recommended by the Passenger Transport Review. The decision was called in to Policy and Resources Scrutiny Committee on 30 November 2017 at which it noted the decisions of Cabinet.
- 6.28 The confirmed procurement procedure was reconsidered by Cabinet at its meeting on 9 January 2018 where it resolved that competitive dialogue be used as the procurement route to secure a preferred JV partner.
- 6.29 The approved procurement route of competitive dialogue is what was used for the procurement, and therefore no approvals of exemptions were required.
- 6.30 No issues have been noted in this area of work.

Area 6: Procurement (Advertising and Selection of Economic Operators)

- 6.31 A Contract Notice, '*United Kingdom-Southend-on-Sea: Repair and maintenance services 2018/S 130-296719*' was published in the Official Journal of the European Union on 10 July 2018 in accordance with the Public Contracts Regulations 2015.
- 6.32 The Contract Notice is complete and consistent with the requirements as detailed in the Council's contract strategy. The estimated value and type of procurement were accurately stated. The procurement was managed within the ProContract e-procurement portal and was transparent. Economic operators were financially and technically evaluated in accordance with the supplier qualification requirements. All elements of the tender documentation were made available to all the selected bidders at the same time via the ProContract e-procurement portal. Economic operators opting out were given the opportunity to provide their reasons for doing so via the ProContract e-procurement portal.
- 6.33 No issues have been noted in this area of work.

Area 7: Procurement (Assessing Value for Money) and Authorisation to Proceed to Award of Contract (Full Business Case)

- 6.34 Tender receipt, opening, recording reporting and tender evaluation was conducted by officers in a transparent manner. All tender evaluation records were retained and are available in the ProContract e-procurement portal.
- 6.35 A report to Cabinet on 12 March 2019 '*Passenger Transport - Operating Model and Procurement Process*' reported the results of the procurement.
- 6.36 The decision was called in to the People Scrutiny Committee on 9 April 2019 and the Policy and Resources Scrutiny Committee on 10 April 2019.
- 6.37 The People Scrutiny Committee noted a number of questions about the report and the Cabinet Member for Infrastructure agreed to provide further information on the delivery and operation of the passenger transport services. The committee recommended that the matter be referred back to Cabinet for reconsideration. However, the decision to refer the matter back was then referred up to Council.
- 6.38 Likewise, the Policy and Resources Scrutiny Committee resolved that the matter be referred back to Cabinet for reconsideration. However, the decision to refer the matter back was then referred up to Council.

- 6.39 Council subsequently approved all the previous recommendations on 17 April 2019 and a motion for reference back was not carried.
- 6.40 No issues have been noted in this area of work.

Area 8: Contract Variations

- 6.41 Whilst clause 2.7 of the 'Strategic Partnering Agreement between Southend-on-Sea and London Hire Community Services Limited' makes provision for continuous improvement, it is negated by the effect of clause 2.8 noting the non-binding nature of the entirety of Section 2 due to its being explained at clause 2.2 as *'The aim of this clause 2 is to identify the high level principles which underpin the delivery of the parties' obligations under this Agreement and to set out key factors for a successful relationship between the parties'*.
- 6.42 The 'Strategic Partnering Agreement between Southend-on-Sea and London Hire Community Services Limited' makes provision for additional services and new projects to be provided and the manner in which they are to be provided.
- 6.43 No major issues have been noted to date, however further work is being undertaken in this area.

Area 9: Financial Arrangements

- 6.44 Section 9 of the 'Strategic Partnering Agreement between Southend-on-Sea and London Hire Community Services Limited' makes provision for payment mechanisms.
- 6.45 The Council's financial management system has been adequately configured with cost centres and subjective codes to be able to monitor payments made to the JV and regular and timely monthly management accounts for the JV have been produced since March 2020.
- 6.46 No major issues with the arrangements put in place have been noted to date, however further work is being undertaken in this area.

Area 10: Key Supplier Relationship Management, Risk Management and Business Continuity Management

- 6.47 The 'Strategic Partnering Agreement between Southend on Sea and London Hire Community Services Limited' makes provision for continuity of service delivery in a number of scenarios. Further work is being undertaken in this area.
- 6.48 The results reported through section 6 above reflect the findings of the work that has been completed to date, however there is further work to be undertaken before the full report of detailed findings and recommendations can be prepared.

7. Resolution 4 (i): A customer satisfaction survey be commissioned to establish how the service is currently performing

- 7.1 A survey was sent out to the email addresses of the families receiving SEND transport on 2 December 2021 and a hard copy was sent out via post with a self-addressed envelope for ease of return on 9 December 2021.
- 7.2 The results reported here and included at **Appendix 3** are from both methods of survey. There were 81 responses out of a total 319 surveys, which is a response rate of approximately 25%.
- 7.3 The survey indicated that 37% of respondents had had concerns or negative incidents regarding school transport since the start of the new term (question 6), but 74% acknowledged that improvements had been made to the service through the term (question 7).

- 7.4 Most respondents had not raised concerns, but of those that had, more felt that their concerns had not been listened to or that appropriate steps had been taken to remedy the situation (question 8).
- 7.5 Almost half of respondents had not tried to contact the Vecteo office, but of those that had there was an almost equal split between those that had had problems and those that hadn't (question 9).
- 7.6 Just over half of respondents considered that Vecteo was now communicating more effectively on changes to the driver, passenger assistant or route delays (question 10).
- 7.7 In respect of satisfaction levels (question 11):
- Punctuality: 85.2% were extremely satisfied or satisfied, compared to 4.9% that were extremely dissatisfied or dissatisfied
 - Suitability of transport and equipment: 81.5% were extremely satisfied or satisfied, compared to 2.5% that were dissatisfied (0 extremely dissatisfied)
 - Environment and quality of care: 83.9% were extremely satisfied or satisfied, compared to 4.9% that were dissatisfied (0 extremely dissatisfied)
 - Environment and number of children on the bus: 76.6% were extremely satisfied or satisfied, compared to 4.9% that were extremely dissatisfied or dissatisfied
 - Environment and the passenger assistant to passenger ratio: 72.8% were extremely satisfied or satisfied, compared to 11.1% that were extremely dissatisfied or dissatisfied
 - Overall satisfaction levels: 81.5% were extremely satisfied or satisfied, compared to 8.6% that were extremely dissatisfied or dissatisfied.
- 7.8 Question 12 was about the single biggest improvement that parents would like to see for the service and the responses covered a range of issues which by far the most common was around improving communication, but also included references to consistency of drivers and PAs, safeguarding, quality of staff and understanding of the children's needs.
- 7.9 Question 13 was about whether parents felt confident that the driver and passenger assistant on the school transport can provide sufficient and individual support for their child or young person. 86% of respondents replied 'Yes' to this question.
- 7.10 Simultaneous to sending out a survey to parents of children with SEND about the home to school transport service, the Council sent a similar email survey to the 31 schools that have children accessing home to school transport. This was to establish what their understanding was of the issues in September 2021 and how the service had improved, or not. The survey was sent on 17 December, at the end of the school term therefore headteachers were given more time to respond.
- 7.11 Three schools replied and each had a range of concerns about home to school transport, including understanding of SEND issues, medical supervision, risk assessments, safeguarding, logistical, communication and responsiveness.
- 7.12 They did acknowledge that improvements had been made through the Autumn term, but that this had been from a low starting point and that many of their concerns had not yet been addressed to their satisfaction.

- 7.13 Overall these results provide a more positive reflection on the service being provided from the service user perspective, but within the results there remains things that require further focus. The feedback will be shared with Vecteo shortly and an improvement plan will be requested to address those areas and themes where improvements are still required.
- 8. Resolution 4 (ii): A report on monitoring Vecteo's performance under the Contract be submitted to each ordinary meeting of the People Scrutiny Committee**
- 8.1 Reporting to the People Scrutiny Committee was undertaken at the meeting on 30 November 2021 (see minute 502), however this has not been continued due to the lack of accurate performance information being able to be provided by Vecteo, as referenced in section 5 above. However once appropriate performance information has been agreed and is available to be reported then reporting to the People Scrutiny Committee will re-commence.
- 9. Lessons learned review by the Interim Director of Highways and Parks (September 2021)**
- 9.1 As a result of the challenges that were experienced at the start of the new school term in September 2021 Corporate Management Team requested a lessons learned review from the Interim Director of Highways, to ascertain what steps could be undertaken to ensure that if the Council undertook a similar type of new service delivery in the future a reoccurrence of the issues could be avoided.
- 9.2 This identified that there was not a detailed, planned, systematic approach in place to mobilise this new phase of the contract (being self-delivery of the services directly by Vecteo, rather than subcontracted to other providers as had been the case since March 2020). LHCS took the lead, but communications from the Vecteo contract manager were insufficient and the Council did not challenge this and seek evidenced assurance to confirm that arrangements were developing in the way necessary to deliver successfully from the start. The overly optimistic approach meant serious risks were not being raised until it was too late.
- 9.3 The major focus on cost control meant there was little consideration of interim actions / solutions to reduce the day one risk, and this was a missed opportunity. A high-risk strategy of leaving the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) transfer until the day before go live was taken, and was not necessary as the expiring contracts ended the month before. This led to lots of confusion about what staff were going to be available to deliver the service on the first day.
- 9.4 The Southend City Council directors that were included on the board of the JVC did not have the necessary experience or training, and were not provided with adequate support to operate as effective company directors, and this contributed to opportunities being missed on how best to protect the Council's interests (as both shareholder and client).
- 9.5 The report has made recommendations ranging from enhancements to procurement processes to selection of arrangements to drive robust governance.

10. Internal Audit report reviewing the Council's arrangements (September 2021)

10.1 This piece of work assessed the robustness of the Council's planned arrangements, as they were being developed, for ensuring the core transport service requirements transferred to Vecteo from 1 March 2020, to ensure the delivery of an efficient, reliable, punctual & safe service that meets the needs and delivers the required outcomes for the vulnerable adults and children relying on the service, and is delivered at the right contractual price.

10.2 The audit considered the adequacy of the contract management team's processes and controls across five key areas: systems and processes; performance monitoring; governance; complaints; and payments. The Contract Management team had begun establishing the contract management processes and controls necessary to oversee the JVC's delivery of core services. However, significant work remained to be completed to be able to robustly assess whether the provider was delivering the services to the required standard.

Key themes

10.3 The contract management team welcomed the opportunity to improve upon its processes and they quickly commenced work in beginning to assess and implement the suggested actions. Key findings were as follows:

Systems and controls

10.4 The following actions to improve arrangements were recommended and agreed with the contract management team:

- clearly defining and documenting their processes and controls to oversee the JVC's performance. This should help business resilience as currently the team is dependent on the expertise of long-standing team members; if they were to leave the Council there would be a significant loss of knowledge
- maintaining a risk and issues register and agreeing escalation pathways to support the team in identifying and addressing matters that could disrupt the delivery of core services for managing the Service agreement
- the team would benefit from identifying all the JVC's contractual obligations, minimum service requirements and the commitments in LHCS's bid submission to inform the development of its own processes to ensure that these are delivered, as well as understanding the JVCs processes and controls that are used to achieve this for the JVC.

Performance monitoring

10.5 It was recommended and agreed that the:

- contract's performance monitoring regime should be reviewed and revised with amendments and captured through a formal Variation Order, to ensure relevant / effective metrics are in place to hold the JVC accountable
- Council needed to review its performance report template, which did not capture information on the KPIs included in the contract and delivers limited insight. This will facilitate better management of the JVC as the Council will be able track its performance against the contractual KPIs
- Council needed to ensure the terms of its performance monitoring regime reflected in any subcontracts issued by the JVC.

10.6 Finally, it was agreed the contract management team should formalise arrangements for internal reporting to the Council to include the JVC's performance against its KPIs and escalation of risk.

Governance

10.7 It was recommended and agreed that the contract management team needed to develop:

- a plan, in collaboration with the JVC, that will see the contract management team handover responsibility for all service delivery activities it is performing in support of the JVC
- a Business Continuity Plan that covers the actions to be taken in the event of a deadlock amongst the Directors of the JVC over a key decision and a broader range of scenarios, including the financial failure of LHCS or of a key subcontractor.

Serious incidents & complaints

10.8 It was recommended and agreed that the contract management team should:

- have visibility over complaints when they are first raised and introduce a tracking system to assess whether they are being addressed promptly
- ensure updates were made to the websites of both the Council and the JVC specifying exactly where complaints should be raised
- log and track serious incidents.

Payments

10.9 Payments to the JVC are being made correctly and in a timely manner. However, it was recommended and agreed that the Council would benefit from exercising its open book rights to review and scrutinise the JVC's financial data, providing greater visibility over its financial health and assurance over the accuracy over the information included in monthly management reports.

10.10 Recommendations and timelines to improve the arrangements detailed above have been agreed with the service. Findings from this audit have also been used to inform the Council's wider ranging lessons learned review undertaken as a result of the significant issues which arose in transporting special educational needs children to schools in September 2021.

11. Additional actions undertaken to drive further improvements

11.1 It was clear in early September that there were significant issues with the Vecteo service delivery, and the Council therefore agreed to second the Highways contract management team into Vecteo to assist with improvements. This secondment lasted several months (approximately 4FTE) with the costs being fully recovered from the JVC.

11.2 The scope of the Vecteo service delivery was due to be widened shortly after the start of the Autumn term but the decision was taken by Education and Highways that this should be deferred until the existing service scope could be delivered correctly.

11.3 Following the difficult start to the Autumn term both Michael Marks (Executive Director (Children & Public Health)) and John Burr (Interim Director of Highways & Parks) attended weekly meetings with the Southend SEND Independent Forum group, which was a task and finish group set up to assist with the service improvement.

- 11.4 A Vecteo Gold command group was set up which met weekly to ensure a consistent and service wide approach to driving improvements. This group consisted of Michael Marks (Executive Director (Children & Public Health)) and Anna Eastgate (Executive Director Neighbourhoods & Environment), as well as attendees from Legal, Procurement, Communications, Highways and Education. This group still meets on a bi-weekly basis.
- 11.5 The manager of Vecteo has now left the company and a senior manager, from LHCS has been seconded into the role until a permanent replacement can be recruited.
- 11.6 Glyn Halksworth (Director of Housing) has been appointed as a new SBC Director to the Vecteo company board.
- 11.7 Giles Gilbert (Assistant Director for Legal Services) has attended one of the Vecteo company board meetings in order to ensure that any corporate governance matters that need to be completed are so done.

12. Updates to Council arrangements

- 12.1 The Council has recently made amendments to the arrangements that it has in place to manage its relationship with the company. This involves:
- clarifying the roles and responsibilities within the Council, recognising the separate roles as owner and client
 - the recognition of a corporate owner to have the necessary delegations from the Shareholder Board to deliver this role effectively on behalf of the Council
 - replacement of one of the Council's Directors on the Vecteo Board, to enhance the representation that can be provided to the Board, with the added effect that the change being made will also enhance the resource available within the Council for contract management of Vecteo, so that the Council can hold the company to account for delivering in accordance with the services agreement.
- 12.2 These changes will help to address some of the issues that have been identified through the different pieces of work as reported above.

13. Summary

- 13.1 It is clear that the service has significantly improved since the major and serious challenges in early September. It is also clear that this is due to the extremely hard and urgent work of all those involved (both the Council and Vecteo). This work has most often been reactive to circumstances and has not always been in a planned and structured way.
- 13.2 There are different views on service expectations and contractual requirements between the Council, Vecteo and LHCS and this has caused increasing tensions in relationships. This is not being helped by the current poor financial performance of Vecteo and the commercial uncertainties that this brings.
- 13.3 If the necessary improvements (both contractual and reputational) are to be achieved, all stakeholders will need to have a similar understanding as to the service levels required from the contract, and how differing views and requirements can be considered and resolved.

14. Reasons for Recommendations

14.1 Internal audit is an assurance function providing assurance to assist the Audit Committee to effectively discharge its responsibilities as per its Terms of Reference. The Audit Committee should recognise the assurance that can be taken from the work that has been completed to date, but request that an update to provide further assurance be provided at the July Audit Committee meeting.

15. Corporate Implications

15.1 Contribution to the Southend 2050 Road Map

Audit work provides assurance and identifies opportunities for improvements that contribute to the delivery of all Southend 2050 outcomes. This work contributes in particular to Safe & Well and Opportunity & Prosperity.

15.2 Financial Implications

The Council has set a budget for the planned expenditure on this service activity that is currently being exceeded. This situation will not be sustainable into the long term and work is being undertaken between each of the parties to address this.

15.3 Legal Implications

The Council has a statutory duty to provide a home to school travel and transport service and is guided by statutory guidance for local authorities in respect of that provision.

15.4 People Implications

Many of the customers of this service are vulnerable children and adults, and therefore this needs to be taken into account in any decisions that are reached by the Council.

15.5 Property implications

The service utilises a fleet of vehicles that are required to transport the service users.

15.6 Consultation

Various consultation about the service has been undertaken as part of the understanding service provision and the potential market for delivery.

All terms of reference and draft reports are discussed with the relevant Managers, Directors or Deputy Chief Executive before being finalised.

15.7 Equalities and Diversity Implications

As the JVC proposals involved a re-modelling of service delivery there was a requirement for the procurement and service area leads to conduct an Equality Analysis that was undertaken on the basis of the proposed policies.

15.8 Risk Assessment

There was always a degree of risk in setting up a JVC with a third party. In the context of this service there is risk to users if the service is not delivering in an effective manner and in accordance with the policies set out in the service agreement.

It was considered unlikely that the creation of the JVC would cause significant financial risk to the authority other than the loss of one-off set up costs should the company fail at an early stage, however there are other financial risks arising if the JVC is unable to deliver the expected service and the costs become higher than was anticipated.

There is also the potential for risk to reputation through negative media campaigns and dissent from incumbent suppliers or users, such as parents who would have preferred to retain the previous transport arrangements, and in the event of the service not delivering in accordance with requirements.

15.9 Value for Money

The creation of the JVC aimed to enhance value for money through streamlining service delivery and reducing the number of current external contracts and in-house services.

The JV model was also expected to offer an improvement in quality and ultimately the potential for income generation and profits to be split between shareholders.

15.10 Community Safety Implications

The JV partnership aimed to provide a comprehensive service that ensures access to suitable transport as required by clients.

15.11 Environmental Impact

Improved route planning and the reduction in need for transport across the borough was expected to lead to a reduction in traffic and travel, which would lower the environmental impacts generated compared to the previous arrangements.

16. Appendices

- Appendix 1 Council Minute 486 of the 25 November 2021 meeting
- Appendix 2 Roles and responsibilities of the different parties
- Appendix 3 Parents survey results