

Southend-on-Sea City Council

Agenda
Item No.

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

To

People Scrutiny Committee

20 April 2022

Report prepared by: Andrew Barnes, Head of Internal Audit
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Reference from Audit Committee 23 March 2022

Vecteo update

Cabinet Member for Children & Learning: Cllr Laurie Burton

A Part 1 Public Agenda Item

1. Purpose of Report

- 1.1 Following the reference to People Scrutiny Committee from the Audit Committee, this report is to update the People Scrutiny Committee on the elements of the audit work that reviewed service provision and where failures have occurred within this, arising from the audit 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 audit work that has been undertaken, including the main themes and the key actions planned to improve the current service and to note the progress that has been made with the Council's arrangements for working with the company.

2. Recommendations

- 2.1 **The People Scrutiny Committee notes (i) the findings arising in respect of service provision and where failures have occurred within this, (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.**

3. Background

- 3.1 The Audit Committee meeting on 23 March received a report on the progress and findings arising from work undertaken on the SEND passenger transport provision provided by Vecteo. The Committee resolved to refer the matter to the People Scrutiny Committee for their consideration of the service provision and where failures had occurred within this.

3.2 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.

3.3 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.

3.4 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.

3.5 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).

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).

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 7 below).
- 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 6 below).
- 4.6 **Lack of a Council corporate owner of the JVC** (by the Council) – No officer within the Council was 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 7 below).

5. 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 services 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 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. 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 it's 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 discussed with the Council and Vecteo and recommended actions will be 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. Customer satisfaction survey to establish how the service is currently performing

- 6.1 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.
- 6.2 The results reported here and included at **Appendix 1** are from both methods of survey. There were 81 responses out of a total 319 surveys, which is a response rate of approximately 25%.
- 6.3 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).
- 6.4 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).
- 6.5 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).
- 6.6 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).

- 6.7 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.
- 6.8 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.
- 6.9 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.
- 6.10 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.
- 6.11 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.
- 6.12 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.
- 6.13 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.

7. Updates to Council arrangements

7.1 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.

7.2 These changes will help to address some of the issues that have been identified as reported above.

8. Summary

8.1 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.

8.2 There are different views on service expectations and contractual requirements between the Council, Vecteo and LHCS and this has caused tensions in relationships. This is not being helped by the current poor financial performance of Vecteo and the commercial uncertainties that this brings.

8.3 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.

9. Reasons for Recommendations

9.1 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 have resolved that the findings of this work should be reported to the People Scrutiny Committee.

10. Corporate Implications

10.1 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.

10.2 Financial Implications

The Council has agreed a contract value 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.

10.3 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.

10.4 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.

10.5 Property implications

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

10.6 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.

10.7 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.

10.8 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 services 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 previous 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.

10.9 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.

10.10 Community Safety Implications

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

10.11 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.

11. Appendices

Appendix 1 Parents survey results

12. Background Papers

Audit Committee 23 March 2022 agenda item 4: Vecteo update