

Internal Audit Services Report

Transport Joint Venture Company – Contract Management of Core Services

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Transport JVC – Contract Management of Core Services

Objective

To assess the robustness of the Council's planned arrangements, as they are developed, for ensuring core transport service requirements transferred to the Joint Venture Company (Vecteo, or "the JVC") from 1 March 2020, will and / or are:

- Delivering 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
- Delivering at the right contractual price.

Summary

The Contract Management team has begun establishing the contract management processes and controls necessary to oversee the joint venture company's (JVC) delivery of core services. However, significant work remains to be completed to be able to robustly assess whether the provider is delivering the services to the required standard. The audit considered five key scope areas and identified the following findings:

- ***Systems and controls – The contract management team does not yet have processes and controls that are clearly defined and documented. The team has not yet begun maintaining a risk register. It would benefit from identifying all the JVC's obligations and commitments to inform the development of its processes.***
- ***Performance monitoring – The contract's performance monitoring regime should be reviewed and revised, as amendments, captured through a formal Variation Order, are necessary to ensure relevant / effective metrics are in place to hold the JVC accountable. The performance reporting template needs to be reviewed as it does not capture information on KPIs and delivers limited insight. Processes also need to be established with the JVC also which ensure that the terms of the required performance monitoring regime are reflected in any subcontracts. The contract management team would benefit from establishing some separate formalised arrangements for reporting and reviewing the JVC's performance against its KPIs through Council internal management reporting lines.***
- ***Governance – The JVC's dependence on the expertise of the contract management team raises the risk of a "self-review threat", with the team simultaneously supporting the JVC's service delivery and responsible for managing the JVC on behalf of the Council. The Council needs to develop a Business Continuity Plan that covers the actions to be taken in the event of, for instance, a deadlock amongst the Directors of the JVC over a key decision, the financial failure of LHCS or of a key subcontractor, etc.***

Transport JVC – Contract Management of Core Services

- ***Serious incidents & complaints – At present, the Council does not have visibility over complaints when they are first raised, depending instead on the JVC to forward them on. The contract management team does not yet have a tracking system in place for complaints. Also, updates are required to the websites of both the Council and the JVC, specifying exactly where complaints should be raised. Serious incidents are not currently logged and tracked.***
- ***Payments – Payments to the JVC are being made correctly and in a timely manner. However, 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 of the information included in monthly management reports.***

The contract management team welcomes the opportunity to improve upon its processes and worked collaboratively with the audit team throughout this piece of work.

Scope

The key risks audited are set out in the Action Plan attached at Appendix 1, with details of any action required to mitigate them further.

Recommendations are only made where they are necessary to further mitigate the risks audited. Therefore, they should be implemented by the dates agreed unless there is a good operational reason why this is not practical.

Value

During the period 1 April 2021 to 31 March 2022, the Council will pay the JVC an annual contribution of £2m and an additional £0.485m to recognise the impact of Covid-19 in delaying the “go live” of the service. The total value in the period is therefore £2.485m.

Key Themes

Background

London Hire Community Services (LHCS) was appointed by the Council as the provider of its “core services” from March 2020; its “core services” comprise:

- SEND Home to School transport
- Adults with Learning Disabilities transport
- Supervised Contact
- Dial-a-ride
- Independent Travel Training.

Transport JVC – Contract Management of Core Services

LHCS formed a joint venture company (JVC) with the Council, Vecteo, through which the core services are delivered. LHCS and the Council have equal voting rights within the JVC, and all decisions are required to be made by “unanimous” consent in accordance with the company’s Articles of Association.

The COVID-19 lockdown restrictions, along with other operational issues, impacted the timely transfer of the core services from the Council to the JVC. However, the JVC is now fully operational, and the Council is in the process of establishing the necessary contract management arrangements to hold the JVC accountable.

Operational systems and processes

As the JVC is responsible for ensuring the delivery of core services, the focus of the Council’s contract management team should be on ensuring that the JVC fulfils its contractual obligations and satisfies the minimum service requirements. These requirements, captured in Sections 7 and 8 of the Service Agreement, include the following:

- To deliver the Home to School, Adults with Learning Disabilities, Supervised Contact, and Dial-a-ride services in accordance with the agreed schedule
- To identify opportunities for and deliver Independent Travel Training
- To provide wheelchair-accessible vehicles
- To provide “meet and greet” introductions for users on the Home to School service
- To provide Passenger Assistants (PA) at an agreed staff to passenger ratio
- To provide services in accordance with maximum “end to end journey” times
- To ensure all Drivers and PAs have undergone DBS checks
- To ensure all Drivers and PAs have undergone mandatory training
- To identify opportunities for route efficiency and optimisation
- To develop procedures for child protection and safeguarding
- To develop procedures and processes for the transportation of service users
- To develop a business continuity plan
- To develop a procedure for dealing with Adverse Weather Conditions
- To develop procedures for accident and complaints reporting.

The duty of the contract management team is therefore to ensure that the JVC is satisfying the requirements above (and others), whilst ensuring the Council performs its own obligations – for example, making timely payment (see below).

Typically, when overseeing a major contract such as the Service Agreement with the JVC, a contract management team will review (i) the contract and (ii) the service provider’s tender response and identify all obligations / commitments. These obligations / commitments then form the basis of the contract management team’s operational processes, as the core of their activity should be ensuring that the provider is delivering the services to the required standard. While the contract management team acknowledges the need to perform this exercise, it has not yet had the opportunity to do so because of time and resource constraints.

Transport JVC – Contract Management of Core Services

The internal audit team requested the latest version of the contract management team's risk register. However, at the time of reporting, the team did not yet have a risk register in place. We would expect a risk register to capture the operational and strategic risks facing the Council prioritised in accordance with its risk scoring methodology (e.g. "RAG Rating"). These include, for example, the risk of disruption to service delivery if the JVC were to collapse in the absence of a robust Business Continuity Plan.

Furthermore, at present, the contract management team does not have a set of identifiable processes and controls in place to manage the JVC. The internal audit team requested a "handbook" or process map detailing all the processes currently in place / how they are performed; however, this documentation does not currently exist. The absence of a documented set of processes poses the following risks:

- Key rights (eg. right to audit the JVC) / responsibilities may not be monitored due to a lack of definition around ownership
- Knowledge could be lost if an experienced team member departed
- New team members could experience challenges onboarding without clear guidance
- The contract management team could fail to identify under performance due to a lack of understanding around the minimum service requirements.

Related to this issue is the need for the Council's contract management team to develop an understanding of the JVC's processes and controls. Again, the audit team requested a "handbook" or process map detailing all the processes currently in place / how they are performed by the JVC; however, no such documentation currently exists.

We would expect the JVC to have, at a minimum, a processes and controls document that aligns to the minimum service requirements in Sections 7 and 8 of the Service Agreement. This should then inform the contract management team's own operational processes. For example, if the JVC plans to monitor complaints via a dedicated JVC email address (inaccessible to the Council), then the contract management team should design a corresponding check to ensure they are notified of all complaints in a timely manner. Likewise, if the JVC holds sensitive data on a specific system and protects that data using IT controls, then the contract management team should design a corresponding review to ensure those IT controls are operating effectively.

To gain an understanding of the JVC's processes and control environment, the Council should exercise its extensive audit rights, as detailed in Schedule 29 of the Service Agreement. Accordingly, the Council may perform audit procedures up to two times in any calendar year for a range of purposes, including:

- To verify the accuracy of charges and / or the costs of all suppliers
- To review the integrity, confidentiality and security of any data relating to the Authority or any service users
- To verify the accuracy and completeness of the Management Reports
- To inspect and verify all driver and vehicle licencing
- To inspect identification of all passenger assistants and DBS checks
- To inspect disaster recovery and business continuity plans.

Transport JVC – Contract Management of Core Services

The audit team raised the right to audit with the contract management team and were informed that, to date, the Council has not exercised its audit rights and it does not currently have a programme of supplier audits scheduled. Typically, we would expect the contract management team – or its “designated auditor” (eg. an external firm hired to undertake the supplier audit programme) – to perform an initial “establishment audit” to understand the supplier’s processes and controls shortly after the contract’s set up. Thereafter, a schedule of “cyclical audits” (eg. undertaken at a regular interval) should be performed to provide ongoing assurance of the supplier’s compliance with the contract’s core requirements. Failure to do so leaves the Council exposed to the risk that under performance of the JVC could go undetected as well as leaving the vulnerable people using the service exposed to potential safeguarding and / or safety concerns.

In terms of systems, there is currently a Corporate Procurement Team led exercise underway to implement a contract management system. This system will act as a central repository, retaining key information such as compliance checks (eg. confirming DBS checks), risks and issue reporting, and payments. However, at the time of reporting, the system was not operational meaning most contract management activities are performed via email.

As such, the contract management team should, consider the findings and recommendations from this audit and prepare a detailed list of requirements to help ensure operationally the new system will support the robust management of the Core Services agreement going forward.

Performance monitoring

Schedule 2, Part 1 of the Service Agreement identifies all the KPIs that the JVC is required to report on a quarterly basis. These KPIs are grouped into key areas of the service delivery as follows: passenger management, co-ordination, customer service, invoicing, management information, data protection & security, and social value outcomes. There are 28 metrics in total (4 of which are “for information only”); examples include:

- Number of incidents on-board a vehicle that were reported to the provider via Driver / PA
- Number of passengers per route / service
- Number of route changes over a 3-month period
- On-board incidents notified to the Council within 1-hour occurrence
- Driver changes to allocated routes over a monthly period
- PA changes to allocated routes over a monthly period
- Respond to complaints within 3 days of receipt.

The JVC must deliver the services to a standard that achieves / exceeds the target set for each KPI, or risk violating the contract’s “Consistent Failure” clause. Under this clause, the Council is entitled to terminate the agreement for breach if the JVC consistently fails to achieve / exceed its KPIs targets. A “Consistent Failure” is defined as a failure to meet:

- 5 or more of the Target KPIs labelled “Red” in a rolling 3-month period; or
- 10 or more Target KPIs labelled “Green” in a rolling 3-month period.

Transport JVC – Contract Management of Core Services

The Council's tender required bidders to input their own timetables / commitments into the pre-set KPIs, which – in the case of LHCS, as the winning bidder – has rolled into the final version of the contract. For example:

Version	Service Criteria	Key Performance Indicator	Performance Required (The Provider is to propose a target that is within the target highlighted in red)
Tender	Passenger Management	On-board incidents notified to the Council within [insert number] hours of occurrence.	[Provider to propose a target for a time limit that no later than the next working day]
Final	Passenger Management	On-board incidents notified to the Council within 1 hour of occurrence.	Within 1 hour

From a performance monitoring perspective, the format of the KPIs as described above poses several challenges:

- The “Performance Required” does not establish a “Pass / Fail” threshold – eg. 95% (for example) of on-board incidents must be notified within 1 hour for the KPI to have to been achieved. Without a “Pass / Fail” threshold, it is difficult to assess whether the JVC is delivering the services to the required standard.
- The Service Agreement does not define which Target KPIs are “Red” and which are “Green”. Without such definitions, it is not possible to determine whether the JVC has committed a “Consistent Failure” that could give rise to termination for breach.

At present, the Council's contract management team monitor the JVC's performance using an Excel spreadsheet (“KPI Template 2019 -2021”) issued monthly that captures data on 8 metrics for four of the five services managed by the JVC: SEND Home to School transport; Adults with Learning Disabilities transport; Supervised Contact; and Dial-a-ride.¹ The metrics captured are:

- Forecast / Reg no of Users
- Actual no of Users
- Forecast volume of Journeys
- Actual Journeys made
- Number of Vehicles Contractor
- Number of Vehicles Vecteo
- No of Complaints Received

¹ There are no metrics currently in place to measure the Independent Travel Training service.

Transport JVC – Contract Management of Core Services

- No of Complaints Outstanding.

The format of this report was agreed with the Council's Finance Team. However, it fails to capture details of the KPIs agreed in the Service Agreement: none of the 28 KPIs identified in Schedule 2, Part 1 are directly covered by the metrics above. This limits the contract management team's ability to assess the JVC's performance. Furthermore, the current report format provides little in terms of insight, with no graphs to identify trends, "Executive Summary" section to highlight the key points in the period, or comparisons between each metric and its relevant benchmark / target.

The KPI report is currently circulated in Strategic Partner Board (SPB) meetings in an abbreviated format. However, at present, there is no established channel for reporting on the JVC's performance *within* the Council. While the Council has such visibility through its representatives on the Operational Management Group (OMG) and SPB, it is unclear how these representatives update the Council on performance matters.

As the JVC plans to subcontract many of the services under its remit, a key consideration for the contract management team is ensuring that subcontractors are subject to the same performance monitoring regime as the JVC – meaning the same core contractual clauses must be cascaded into the subcontracts. The JVC is currently undertaking a procurement exercise for the subcontracted delivery of (i) adult services and (ii) children services. These procurements have been wholly run / managed by the JVC, with no input from the Council – including around technical questions, price vs quality weighting, and other considerations that may be imposed by public sector procurement principles.

The Council has requested details of the procurements (including the Request for Proposal (RFP) and the proposed sub-contract terms) but, as at the time of reporting (August 2021), has not received any of the requested supporting documentation. The JVC is obliged to ensure that any subcontract it enters into 'impose obligations on its Sub-Contractor in the same terms as those imposed on it' (22.2) and also must provide the Council with a copy of any subcontracts upon request. Without an agreed approach to running procurements, there is a risk that the JVC is assessing bidders in a way that doesn't align with the Council's priorities or is not wholly impartial, given LHCS is a potential service provider (eg. for vehicle procurement). Further, the JVC's failure (to date) to provide details around the proposed terms of its subcontracts raises the risks that the subcontracts will be let with conditions that don't align with the Service Agreement's performance monitoring regime.

Governance and team structure

The JVC is managed through a series of governance forums that are – in descending order of seniority - the Shareholder Board, the Strategic Partner Board, and the Operational Management Group. Their responsibilities are:

- Shareholder Board – Comprises councillor representatives. This board meets approximately three times a year and oversees the activities of the Council's Corporate Vehicles which 'include any wholly or partly owned Council company or a limited liability partnership whereby the Council is a partner (equal or otherwise)'. The activities of the Transport JVC have not been presented to the Board, as yet, but have been included on the Board's Forward Plan for either October 2021 or February 2022.
- Strategic Partner Board – Comprises the nominated directors representing the Council and LHCS and a Council-nominated chairman. This group meets *quarterly* and is involved in decision making for non-reserved matters and / or disputes escalated from OMG.

Transport JVC – Contract Management of Core Services

- Operational Management Group – Comprises the nominated representatives of the Council and LHCS responsible for the day-to-day running of the contract. This group meets *monthly* and is involved in discussing service delivery / performance of the contract.

The audit team reviewed the minutes from the March 2021 SPB and the July 2021 OMG and can confirm the meetings are generally proceeding as planned, with an agenda that aligns to their respective Terms of Reference and clearly documented actions. However KPIs, which are a standing agenda item, are not currently being discussed at the OMG due to the issues noted above. Likewise, risks are not being raised systematically in the OMG in the absence of a register that captures risks as they arise.

The Articles of Association for the JVC states that a *'decision of the directors is taken in accordance with this article when all Eligible Directors indicate to each other by any means that they share a common view on a matter'*. This means all decisions must be made unanimously. Any disputes are subject to a dispute resolution pathway that either (i) escalates through the JVC's governance forums (as above) or (ii) leads to mediation in accordance with the Centre for Effective Dispute Resolution (CEDR) Model Mediation Procedures.

There is a risk that the JVC will be unable to reach a unanimous decision on a key matter(s), threatening the continued viability of the arrangement. In this situation, the equal voting rights and representation across governance forums could lead to a deadlock between the Council and LHCS, with no "deciding vote" procedure available.

The Council should be prepared for this scenario and have in place a Business Continuity Plan that covers:

- The option to buyout LHCS
- Identification of an alternative provider
- Service continuity and handover procedure.

At the time of reporting, no such plan exists. The Council's contract management team has, though, acknowledged the importance of business continuity planning and indicated it will undertake such an exercise. As part of this Business Continuity Plan, the team should consider broader risks facing the Council, including the potential that LHCS / a key subcontractor is unable to continue delivering the service due to financial distress or collapse.

The Council's contract management team is currently structured as follows:

- Service Manager – Integrated Transport & Fleet (1 x FTE) - Leads the Council's contract management team; represents the Council at both the monthly Operational Management Group (OMG) and quarterly Strategic Partner Board (SPB). The Service Manager is responsible for acting as the Council's lead contact / main interface with the JVC; measuring the performance and service delivery of the JVC; managing communications; and managing any risks, issues and other matters that are not reserved for the SPB.

(NB this officer was previously line management reporting to one of the Council's JV directors, but reporting lines have recently changed to the Council's Interim Director of Highways who is independent of the JV).

Transport JVC – Contract Management of Core Services

- Contracts Manager (1 x FTE) – Deputises the Service Manager; attends the OMG as a council representative. The Contracts Manager is responsible for acting as a key contact for the JVC; analysing and interpreting data; undertaking core contract management activities.
- Contract & Monitoring Officers (2 x FTEs) – Contract management support, responsible for performing core contract management tasks / activities. The Contract & Monitoring Officers are responsible for ensuring the Council's policies are adhered to; proposing efficiencies for the JVC; verifying invoicing; doing onsite inspections; preparing spend management information; verifying DBS and other compliance checks.

The contract management team act as representatives of the Council, which is reflected, following a recent change, in the team's line of reporting. Whereas previously the Service Manager reported into the Council's Head of Civil Engineering, who is also a Director of the JVC, now the Service Manager reports into the Council's Interim Director of Highways; who holds no position within the JVC. This line of reporting direct into independent management at the Council helps mitigate the risk of conflicts of interest. Going forward, the Council should ensure the contract management team continues to report into an individual who is independent of the JVC.

From our discussions with the contract management team, it is clear they are working closely with the JVC to support the upskilling of its people and ensure the services are delivered without interruption and to the required standard. However, this collaborative relationship also poses a risk: the contract management team may be too involved in supporting the JVC, to the point that they are effectively acting as JVC employees, rather than representatives of the Council responsible for holding the JVC accountable.

The JVC's need for considerable support from the Council contradicts LHCS's commitment in its tender response that 'we do not foresee any problems whatsoever with being able to start operating a high-quality, reliable service from day one' and raises a self-review threat for the contract management team, which is simultaneously supporting the JVC with the delivery of the contract and is responsible for managing the JVC's service delivery.

To ensure the JVC remains subject to independent challenge, the contract management team should focus its activities on managing the relationship with the JVC, scrutinising its performance, and ensuring it delivers the services to the committed standard. Establishing a regular and formalised internal Council side performance reporting line will also give clear visibility of performance, support the contract management team in its endeavours to robustly manage and challenge performance as well as giving a clear escalation route for issues as and when they arise (please also see second paragraph on page 7 above).

Transport JVC – Contract Management of Core Services

Serious Incidents and Complaints

In their tender response, LHCS stated that they have a ‘comprehensive complaints and feedback policy and procedures in place’, which is the responsibility of a ‘dedicated Southend Transport Manager’. The JVC is responsible for managing any complaints in relation to the delivery of core services. As part of the KPI reporting regime under the Services Agreement, the JVC is required to:

- Acknowledge receipt of complaints within 3 working hours
- Respond to complaints within 3 days of receipt
- Report on the number of complaints received over a monthly period including response times.

The JVC notified users of the Council’s core services that Vecteo would be providing the services going forward through a series of letters issued in 2020. These indicate that ‘for any issues that need escalating’, users should contact the Vecteo Assistant Transport Manager (marc.berry@vecteo.co.uk) in the first instance, or alternatively the Vecteo Transport Manager (richardg@vecteo.co.uk). The JVC’s website does not have a dedicated “Complaints” section but does provide general contact information (info@vecteo.co.uk) in its “Contact us” section.

The audit team requested a process map detailing all the steps in the JVC’s complaints process / how the Council is engaged as part of this process; however, no such documentation currently exists. From our discussions with the Council’s contract management team, we understand the process to be as follows:

- Service users raise their complaints directly with the JVC’s Assistant Transport Manager (marc.berry@vecteo.co.uk) or, alternatively, the Transport Manager (richardg@vecteo.co.uk).
- New complaints begin at “Stage 1”; the JVC will seek to resolve complaints directly in accordance with the timescales committed to in the Services Agreement.
- If a user is not satisfied with their “Stage 1” resolution, then they can request a second-review – or a “Stage 2” review. Any complaints escalated to “Stage 2” will require the input of the Council’s representatives.

Complaints are discussed as a standing agenda item in the monthly OMG between the Council and the JVC, which we have seen evidence of in the OMG minutes. They are also raised in the informal weekly “Ops Meetings” between the contract management team and representatives of the JVC’s operational team.

We noted the following issues with the complaints process:

- The communications issued to service users recommend raising “any issues” directly with named individuals at the JVC. However, doing so raises the risk that the complaints may not be received or reviewed in a timely manner if, for example, one of the named individuals were to leave the JVC or take annual leave. It also means that the Council is dependent on the JVC to inform it of complaints, instead of having visibility over complaints as they are raised.
- The Council does not currently have a system for tracking all complaints (eg. an Excel tracker) and ensuring each is resolved within the JVC’s committed timescales.

Transport JVC – Contract Management of Core Services

- The contract management team noted that, in some instances, complaints relating to core services are still being raised directly with the Council, rather than the JVC. The internal audit team's review of the Council's complaints page (website) found no reference to the JVC / the need for complaints to be raised with them directly.
- The Council is dependent on the JVC for notification of any new complaints. This means that there is a risk that the Council could fail to act on a new complaint in a timely manner due to the JVC's failure to promptly notify the Council. At present, the Council does not have measures in place (eg. audit activities) to provide assurance that complaints are being notified promptly.
- The JVC is required to acknowledge complaints with 3 hours of receipt and respond to them within 3 days. However, the Council currently has no visibility over whether these performance metrics are being achieved and no measures planned (eg. audit activities) to provide such assurance.

Serious incidents are reported, in the first instance, to the JVC, which then escalates them to the contract management team. The contract management team is then responsible for identifying and notifying the stakeholders within the Council impacted by the serious incident. For example, any incidents relating to safeguarding would be escalated to the Council's Safeguarding Officer. The contract management team does not currently have a register of all serious incidents / their status / actions taken. It is known that serious incidents have occurred since the mobilisation of wider service elements of the contract from September 2021.

Payments

Payment for core services is made in accordance with a fixed price schedule in the Services Agreement. At the time of the contract's signature in 2019, the Council's contribution was fixed at £1.8m per annum across the contract's 10-year duration plus an initial investment in the JVC of £0.6m in Year 1 and a further sum (estimated at £75,000 per annum) for contributions to the Adults with Learning Disabilities Service. The Council is required to make payments quarterly in advance via BACS transfer.

In March 2020, the Council agreed to increase its annual contribution from £1.8m to £2.0m due to an increase in the JVC's base cost. The Council also agreed to pay a further £485k in Year 2 recognising the cost impact of Covid-19 and delays in mobilisation; this increase will be offset by a decrease in their contribution later in the contract term. This increase was approved by the Leader of Southend Council and formally captured in a Deed of Variation, which reflects the updated payment schedule.

Purchase orders are only created annually once the requisition goes through "gate-keeping" to confirm the value is correct / in line with the total agreed in the contract, adjusted for the above. The Procurement Team performs the checks to ensure the PO is of the appropriate value and then approval is issued by the Executive Director of Finance and Resources.

Our testing revealed that the Council has correctly / punctually paid the invoices issued by the JVC, which are in accordance with the agreed payment schedule. No issues were noted.

Transport JVC – Contract Management of Core Services

However, we did note that the Council is currently unable to exercise its open book rights under the contract to validate the costs of the JVC. The services agreement states that ‘the Council will require the provider to provide open and transparent information sharing regarding costs, income and profits’ (5.1.6) – giving the Council the contractual right to review key financial data on an ongoing basis. Doing so would have the following benefits:

- It would enable the Council to verify the costs, income and profits of the JVC
- It would enable the Council to proactively identify signs of financial distress (eg. low profitability) that could threaten the viability of the JVC
- It would enable the Council to perform analysis over the performance of its new ventures (eg. non-core services), once operational.

The Council is currently unable to exercise its open book rights because it does not have an approved way of accessing the JVC’s data. The contract management team requested that a shared workspace be set up in the cloud, however this proposal was rejected by the Council’s IT team over security concerns. Given the Council’s base contribution was increased in response to increased costs, it is particularly important that the Council establishes an approach for reviewing / validating the financial performance of the JVC. As an interim measure, the Council should consider requesting laptops from the JVC with access to their finance systems.

Without transparent access to the JVC's financial data, the Council will be unable to exercise its contractual right to monitor the revenue, costs and profit of the JVC. This could result in:

- Failure to identify signs of financial distress (eg. rising costs / reduced profitability)
- Inability to verify the JVC's allocation of profit to the Council for non-core services, which is to be shared on an 85% / 15% basis (with the Council receiving the lower share).

Reporting

This report has been:

- discussed and agreed to be factually accurate with the Service Manager and the Interim Director of Highways; and
- finalised with the Executive Director of Neighbourhood & Environment.

Revisiting this report

Internal Audit will revisit this report to check that the actions agreed have been implemented properly in during 2022/23.

Transport JVC – Contract Management of Core Services

Corporate Links

Theme	Safe & Well	Outcome	By 2050 people in Southend-on-Sea feel safe in all aspects of their lives and are well enough to live fulfilling lives.
	Connected & Smart		By 2050 people can easily get in, out and around our borough and we have a world class digital infrastructure

This report can be provided in alternative formats such as Braille, audiotape or in large print.

Translations of this document in alternative languages are also available.

Appendix 1: Transport JVC – Contract Management of Core Services Action Plan

	Agreed Management Action	Benefit	Lead officer	When by
Potential risk audited	Ineffective and / or inefficient operational systems and processes may not clearly identify poor performance and quality standards of the delivery of core and minimum service requirements (including but not limited to Sections 7 and 8 of the Service Agreement), leading to delays in taking remedial action, a poor service to users and / or placing the safety of vulnerable adults and children at risk.			
R1	<p>Undertake a review of the Service Agreement and London Hire Community Services (LHCS's) winning bid submission to identify all of the JVC's obligations / commitments and capture this information in a tracker.</p> <p>This tracker should be used to inform the contract management team's processes and controls, which – once fully developed – should address every one of the JVC's obligations / commitments.</p> <p>To enhance traceability, the tracker should specify which of the contract management team's process and controls addresses each obligation / commitment.</p> <p>As part of this exercise, the contract management team should also identify all the duties they are contractually required to perform – for example, paying the JVC's invoice within an agreed timeframe (linked to R3 below).</p>	<p>Developing an understanding of the JVC's obligations will help ensure that appropriate contract management procedures are in place to monitor the JVC's performance and ability to deliver on its commitments and outcomes that the JVC was set up to achieve.</p>	Service Manager	31/12/2021
R2	<p>Develop an understanding of the JVC's key processes and controls, which are not currently documented. The contract management team should reference LHCS's commitments (in its bid submission) to having "robust" processes – the details of which should be available upon request. Once understood, the JVC's control environment should inform the contract management team's activities.</p>	<p>Developing an understanding of the JVC's processes and controls will help the contract management team identify areas of risk and design appropriate controls / review activities to manage and mitigate against these risks from occurring.</p>	Highways Directors	31/12/2021

Appendix 1: Transport JVC – Contract Management of Core Services Action Plan

	Agreed Management Action	Benefit	Lead officer	When by
R3	<p>Develop a contract management “handbook” that details all of the team’s processes and controls. This should include step-by-step guidance detailing how to perform each activity, with screenshots and other visual guidance, as appropriate. The “handbook” should also:</p> <ul style="list-style-type: none"> • Define the key responsibilities of each role within the contract management team • Define review / approval flows • Be sufficiently detailed as to allow a new joiner to use it as a guide. <p>The documented processes and controls should be informed by the JVC’s obligations / commitments, as specified in the Service Agreement and LHCS’s winning bid submission, and by the team’s understanding of the JVC’s control environment (see R1 and R2 above).</p>	<p>Preparing a contract management “handbook” will help the team define and articulate <i>exactly</i> what the team does to oversee the JVC’s performance. Doing so will improve business resilience, as currently the team is dependent on the expertise of its long-serving team members; if they were to leave the Council, there would be a significant loss of knowledge.</p> <p>It should also help the contract management team identify any gaps in their coverage of the JVC.</p>	Service Manager	28/02/2022
R4	<p>Develop a supplier audit programme that aligns with / exercises the Council’s extensive audit rights, as laid out in Section 29 of the Service Agreement.</p> <p>This audit programme should commence with an initial “establishment audit” which focuses on understanding the JVC’s systems, processes and controls. Thereafter, the audit programme should comprise a bi-annual review of the JVC (or “cyclical audit”) that focuses on key areas of risk, such as verifying actuals costs / those of subcontractors, checking IT access controls, verifying the data presented in management reports is accurate, etc.</p>	<p>Establishing a supplier audit programme will help give the Council assurance that the JVC is satisfying all its obligations / commitments and that the information it is communicating to the Council is accurate.</p>	Service Manager	28/02/2022

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R5	<p>Prepare a detailed list of requirements to be considered for the new contract management system (taking into consideration the findings / recommendations from this audit) to inform the development of arrangements with the Corporate Procurement team which will support robust management of the Core Services agreement going forward. This should cover core functionality, such as the ability to:</p> <ul style="list-style-type: none"> • Automate processes (eg. automated reminders to check expiring DBS credentials) • Manage approval flows • Manage complaints • Store documents in a central location, etc. 	<p>Defining requirements will help ensure that the contract management system should support the team in:</p> <ul style="list-style-type: none"> • Improving organisation • Increasing automation • Improving audit trails • Increasing business resilience (eg. no longer dependent on information stored in emails) 	Service Manager	30/04/2022
R6	<p>Develop and maintain a risk and issues register, with any risks / issues formally discussed with the JVC during the monthly OMG meetings.</p> <p>This should capture key information, including:</p> <ul style="list-style-type: none"> • The date the risk / issue was raised • The rating (eg. Red, Amber, Green); • A target resolution date; and • Any key updates. <p>The risk rating system should align with the methodology used more widely across the Council in quantifying risk.</p> <p>Agree internal Council escalation pathways for risks, which will vary depending on the department / area impacted by an identified risk. For example, a risk relating to safeguarding should be escalated to the Council's Safeguarding Officer.</p>	<p>Maintaining a risk and issues register and agreeing risk escalation pathways will support the contract management team's aim of identifying and addressing matters that could disrupt the delivery of core services.</p>	Service Manager	30/11/2021

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	Agreed Management Action	Benefit	Lead officer	When by
	Potential risk audited Poor performance may not be robustly challenged leading to failures to achieve delivery of outcomes for service users and overall value for money from the service.			
R7	<p>Update the Service Agreement’s KPIs through a formal Variation Order to address the following:</p> <ul style="list-style-type: none"> • Establish a “Pass / Fail” threshold for each KPI (eg. 90% achieved within target) • Define which of the KPIs are “Red” and which are “Green” <p>During this exercise, the contract management team should review the KPIs in the Service Agreement and consider whether they are no longer required or, alternatively, if additional metrics should be included.</p>	<p>Establishing a “Pass / Fail” threshold for KPIs and defining which are “Red” and which are “Green” will enable the Council to enforce its “Consistent Failure” clause whereby it is entitled to terminate the Service Agreement for breach due to the supplier’s under-performance.</p> <p>A broader review of the KPIs will help ensure the performance monitoring regime remains relevant and reflects how the JVC <i>actually</i> operates – which may differ from how it was conceived when drafting the contract.</p>	Service Manager	31/01/2022
R8	<p>Update the current performance report template, which fails to capture the details of any of the Service Agreement’s KPIs.</p> <p>The template should be enhanced by including an “Executive Summary” section highlighting the key points of each period, as well as through the addition of graphs (or other visualisations) that can better show trends over time and deliver insight.</p> <p>Initiate reporting of the KPIs directly to the Council’s Interim Head of Highways, as well as escalating through the JVC’s governance forums. The contract management team should agree an updated list of recipients for the KPI report, including the Interim Head of Highways and any other relevant stakeholders at the Council.</p>	<p>Updating the report template will facilitate better management of the JVC as the Council will be able track its performance against the contractual KPIs. It will also help ensure that the data conveyed in the template is digested / understood, with any implications clearly identified for the Council’s senior stakeholders.</p> <p>Revising the recipients list of the KPI reports will help ensure the Council remains informed of the JVC’s</p>	Service Manager	31/01/2022

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	Agreed Management Action	Benefit	Lead officer	When by
		performance, enabling proactive management / monitoring.		
R9	<p>Exercise the Council’s right to review any subcontract agreement to confirm that the proposed terms impose the same performance monitoring regime as that in the Service Agreement with LHCS.</p> <p>(At the time of reporting, the contract management team has requested from the JVC the details of the two live procurements (adult services and children services); however, no information has yet been received from the JVC).</p> <p>Agree an approach with the JVC that will allow the Council to input into the procurement process / review the draft tender – including the technical questions, weighting (eg. price vs quality), etc.</p>	<p>Agreeing an approach with the JVC that will allow the Council to input into the procurement process will help ensure that any subcontracts are let with performance levels and monitoring requirements that align with those imposed in the Service Agreement.</p>	Service Manager	31/12/2021

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	Agreed Management Action	Benefit	Lead officer	When by
	<p>Potential risk audited Conflicts of interest between staff responsible for day-to-day monitoring of service delivery and those with a strategic role within the Joint Venture may impair proper oversight of the Council’s interests resulting in a poor service and outcomes.</p>			
R10	<p>Develop a plan in collaboration with the JVC that will see the contract management team handover responsibility for all service delivery activities it is currently performing in support of the JVC – which undermines the team’s role as the Council’s representatives / advocates of its rights under the Service Agreement.</p> <p>As part of this, the contract management team should identify all the activities it has / is performing to support the JVC and the reason why it is doing so. These activities should be discussed with the JVC, with owners assigned and a plan agreed to outline the handover timeframe. The JVC should also be reminded of their commitment to “start operating a high-quality, reliable service from day one”.</p>	<p>Identifying and transferring the tasks currently being performed by the contract management team in support of the JVC will address the “self-review” threat that currently exists due to the team’s simultaneous duties in performing tasks for the JVC and contract managing the JVC.</p> <p>It will also free resource time, enabling the team to focus on its key role of monitoring the JVC’s performance.</p>	Service Manager	30/04/2022
R11	<p>Develop a Business Continuity Plan that addresses the potential for a deadlock between the Council and LHCS due to the requirement for “unanimous” decision making.</p> <p>This Business Continuity Plan should cover key options in that scenario, including buying out LHCS’s shares and bringing on an alternative supplier. It should provide detailed instructions of the procedures to be undertaken, approvals, etc.</p> <p>The Business Continuity Plan should also cover a broader range of scenarios, including the financial failure of LHCS or of a key subcontractor.</p>	<p>Ensuring the Council is prepared to continue delivering core services in the event of an unforeseen incident.</p>	Highways Director	31/12/2021

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	Agreed Management Action	Benefit	Lead officer	When by
	Potential risk Serious incidents and issues placing service users’ safety at risk and complaints about the service may not be audited properly investigated and / or known to senior management resulting in avoidable repeated incidents and / or improvements to the service delivery not being acted upon.			
R12	Seek direct access to complaints so that the Council has visibility over new complaints as they arise, rather than depending on the JVC to inform the Council. This could be done using a shared email address that includes designated Council and JVC recipients, or through a designated complaints system (if implemented) that the Council can access.	Receiving complaints as they are raised will ensure the Council has visibility over all complaints and enable it to better track their progress and resolution timeframes. The Council will also be able to coordinate with other teams (eg. Adult Services, Children Services), which may have input on how complaints should be resolved.	Service Manager	30/11/2021
R13	Update the Council’s “complaints” section on its website to clearly indicate that any complaints relating to the delivery of core services must be raised directly with the JVC.	Updating this guidance will help ensure users are raising service delivery complaints directly with the JVC in the first instance, expediting the resolution process and ensuring that the JVC remains responsible for managing complaints.	Service Manager	30/11/2021
R14	Require the JVC to update its website to have a clear “complaints” section, rather than a general “contact us” page.	Creating a dedicated “complaints” section will help ensure that users of the JVC’s service can raise complaints effectively and without hesitation / delay.	Service Manager	30/11/2021

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R15	Maintain a register of all serious incidents reported by the JVC and their status of investigation	Maintaining a register gives visibility and accountability regarding any actions required as well as being a point of reference for capturing progress with any actions required and / or lessons learned.	Service Manager	30/11/2021
Potential risk audited Payments may not be made in line with contractual arrangements resulting in under or overpayments that could lead to a financial loss / exposure to the Council.				
R16	<p>Establish a means through which the Council can exercise its rights to “open and transparent information sharing” with the JVC.</p> <p>In the first instance, the Council should consider implementing a shared workspace in the Cloud where the Council can access key information on the JVC; this proposal was previously rejected by the Council’s IT team.</p> <p>Alternatively, the Council should request JVC laptops that can be used to access the relevant systems containing information on costs, income and profits.</p>	<p>Exercising the Council’s open book rights will enable it to better monitor the JVC’s financial performance, validate their actual costs (which have been used to justify an increase in the annual contribution), and identify any indications of financial distress that could threaten core service delivery.</p> <p>Also, this visibility will give the Council a means of validating their profit allocation from non-core services, once operational.</p>	Service Manager	30/04/2022