

FROM: Audit & Risk Manager
TO: Head of Neighbourhood Services
C.C. Chief Executive
Deputy Chief Executive
Head of Finance
Contract Services Manager
Contract Development and
Enforcement Officer
Portfolio Holder (Cllr Rhead)

SUBJECT: Street Cleansing
DATE: 7 September 2021

1 Introduction

- 1.1 In accordance with the Audit Plan for 2021/22, an examination of the above subject area has recently been completed by Jemma Butler, Internal Auditor, and this report presents the findings and conclusions for information and, where appropriate, action.
- 1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and cooperation received during the audit.

2 Background

- 2.1 The street cleansing contract is let by Neighbourhood Services. The contract was awarded to Ideverde Ltd and commenced in March 2021. The current value of the contract is around £2m a year.
- 2.2 Client-side management of the contract is carried out by staff in the Contract Services section of Neighbourhood Services.

3 Objectives of the Audit and Coverage of Risks

- 3.1 The audit was undertaken to test the management and financial controls in place.
- 3.2 This was achieved through a 'risk-based audit' approach whereby key risks are identified and then processes are assessed to provide assurance that the risks are being managed effectively. This approach has been in place by WDC Internal Audit since only the start of this financial year following an external review of the function
- 3.3 The audit followed the standard contract monitoring programme. The scope included:
- Contract award
 - Service provision and monitoring
 - Contract amendment and variations

- Finance
- Contingency planning and risk management

3.4 Potential risks were also identified in the Significant Business Risk Register, the departmental risk register, and discussion between the Internal Auditor, the Contract Services Manager and the Contract Development and Enforcement Officer. These were incorporated into the standard audit programme.

3.5 These risks, if realised, would be detrimental to the Council with regards to meeting the following corporate objectives, as set out in the Fit for the Future Strategy:

- Helps to achieve the external corporate objectives by having well looked after public spaces, improving health and town centres through management of a thorough street cleansing programme implemented across the district.

4 Findings

4.1 Recommendations from Previous Reports

4.1.1 The current position in respect of the recommendations from the audit reported in September 2017 was also reviewed. The current position is as follows:

Recommendation	Management Response	Current Status
1 Customer satisfaction with the street cleaning service should be formally monitored and reported.	Customer satisfaction surveys are no longer performed. However, feedback is received from the Website Service Manager regarding information and processes available on the Council's website that are relevant to the services provided.	The status remains the same. There would be little to gain from completing customer satisfaction surveys. Reports of issues and concerns are monitored and reviewed.
2 The review process should be strengthened to ensure that all orders are accurate and invoices are received for the correct amount prior to payment being made.	Performance checking is undertaken before payment of individual invoices to ensure that if works have not been performed to the required standard the penalties are deducted and the appropriate payment would differ from the original value.	All invoices checked matched the prices quoted and had been received before payments were made.

4.2 **Contract Award**

4.2.1 **The contract may not have been awarded to the most appropriate company or followed an inappropriate tendering exercise.**

The contract in place, with Ideverde Ltd, was agreed in March 2021 after a formal tendering exercise had been undertaken. The contract runs until 2029 with an annual contract value of just under £2m. Various aspects were included in the tender process including social value and climate change. There is a nominated contract owner, who was involved in the letting of the contract.

All the relevant contract documents are held by the Council in both hard and electronic copy and signed by all parties. The contract provides a detailed description of works to be completed and programme timings as well as multiple performance measures.

4.3 **Service Provision and Monitoring**

4.3.1 **Staff may be unaware of what the Council aims to achieve in relation to the services that are being provided.**

The terms of the contract are clearly set out within the agreement and accompanying method statements. The information provided in the documents is detailed enough for the contractors to understand what is expected of them and to allow the contract officer to manage and monitor all aspects of the contract.

The service area plan also sets out the expectations of the service and the overall values are discussed within the Council's Business Strategy.

There are various measures and key performance indicators included in both the contract documents and the service area plan. These include resolving of customer complaints within five working days, monitoring fly tipping and littering offences and the number of fly tips reported.

Monitoring is carried out frequently with monthly meetings between the contract officers and contractor, this gives an opportunity to discuss or raise any issues or concerns.

4.3.2 **Contractors may not be aware of the services to be provided.**

Method statements are provided within the contract documents. These clearly set out the details of how the contractors will meet the requirements of the contract. The documents also include maps and lists detailing the work to be completed, frequency and expected standard.

4.3.3 **Works may not be undertaken to agreed standards.**

There is a nominated contract manager in place to oversee the management of the contract. Day to day monitoring and liaison is completed by a contract officer.

As well as setting out the required standards and comprehensive schedules, the Contract also details default penalties detailed should the contractor fail to meet the standards within set timeframes. The schedules also detail when it is appropriate to use chemicals and which ones can be used to help reduce the environmental impact.

Meetings are held with the contractors on a monthly basis with the contract manager and / or a contract officer. The meetings have an agenda and minutes are taken. The agenda has standard items which include performance measures, complaints, and actions from the last meeting.

In addition to the meetings, performance statistics are gathered and monitored. They collate reports of missed collections and the time taken to resolve them. These are monitored on a more frequent basis within the contract management team and shared quarterly as part of the service area plan measures.

Customer satisfaction surveys are not carried out. Feedback is gathered through reports complaints, often about the frequency of emptying bins in public areas. Additional feedback is not sought as the responses are considered to be difficult to manage with customers potentially wanting a more bespoke service; for example, greater or fewer bin locations and comments on the noise and timing of street cleansing. The questions and queries raised through surveys may be difficult to resolve without incurring additional costs.

A spreadsheet is maintained to track the complaints or requests regarding the service provided. This allows the contract officers to track the progress and monitor the performance measures as set out in the contract and in the service area plan. It should be noted that the statistics recorded are across all the neighbourhood services contracts so do not all apply to street cleaning. The spreadsheet not only records complaints but additional works required such as reports of broken glass which would trigger an ad-hoc job of clearing it up.

It was noted from reviewing the complaints logs, the minutes from meetings and the statistics gathered that there was no substandard work identified. Complaints and concerns are resolved quickly, and reports of ad-hoc work required are rectified within the timeframe specified in the contract. Actions raised in the meetings are relevant and allow service improvements.

4.4 Contract Amendments and Variations

4.4.1 Permanent changes to the contracts may not be formally agreed.

There have been very few variations to the contract as it has only been in place since March 2021. The few that have been recorded have been logged onto a spreadsheet which details the variation or ad-hoc work requested, the associated cost and payment date. It also confirms which officer has requested and authorised the work. Variations and ad-hoc work have included extra emptying of bins in public spaces and street cleansing to new roads within the district. An order form is completed by the contract officer which is then sent to the contractor. A quote is raised and the work can then be agreed and added onto the schedule.

4.4.2 **The Council may be paying for work that has not been previously agreed.**

There have been twenty-five additional works requested so far this financial year. All the relevant forms and documents have been saved in the appropriate folder and the spreadsheet has been updated. The rates agreed match the invoices received and the payments made. Payments are authorised by an appropriate officer.

4.5 **Finance**

4.5.1 **Budget variances may not be limited as the budgets may not be set appropriately in line with known areas of income and expenditure.**

The budgets are set in relation to the contractual amount and taking into account previous spend. This financial year there have been no variances identified and the budgets look healthy with spending at or below the level expected at this point in the financial year.

4.5.2 **The Council may not be aware of any potential budget variances.**

The budget position is reviewed regularly with monthly check-in's between the contract manager and the nominated accountant. No variances have been identified so there are no proposed actions recorded.

4.5.3 **Payments may not be valid and accurate or not processed in accordance with the appropriate conditions of contracts.**

The work carried out by contractors is not checked for this contract, there are monthly reviews and meetings, as mentioned in para. 4.3.3, which allow the opportunity to discuss any concerns or complaints received. Spot checks are carried out, currently on an infrequent basis due to the restrictions in place with the ongoing pandemic. Sub-standard work is likely to be reported by members of the public allowing the contractors to be advised and given the opportunity to complete or rectify the work as needed.

Payments are made on a monthly basis to the contractor. The payments include a standard monthly amount to cover the annual contract sum and any ad-hoc work completed. The payments are authorised appropriately by the contract manager.

4.6 **Contingency Planning & Risk Management**

4.6.1 **Contingency plans may not exist to ensure that the service can continue to be provided.**

There are continuity plans in place for the contract. It incorporates covid restrictions and issues that may arise due to the current pandemic. The plan is simple and easy to navigate although detailed, providing contact details for staff and their availability, key suppliers, emergency co-ordinators and the nearest hospital / doctors.

The plan highlights potential events, the consequences and the plans in place to help reduce the impact. There are plans in place for accidents, financial failure, depot issues as well as more Covid-19 related plans for unplanned absence and PPE.

4.6.2 The Council may be financially disadvantaged should the contractor fail to provide a service.

There is a performance bond in place for £197,476.56, 10% of the annual contract sum, as agreed in the terms of the contract. The bond expires on the 29th March 2024. A hard copy is retained in the deed store and an electronic copy is available in the relevant folder with the contract documents. This bond helps to safeguard the Council against financial loss should the contractor fail.

4.6.3 The Council may be liable for any claims received due to the work of the contractor.

There is insurance cover in place until 28 February 2022. The cover is for various required insurances including: Employers liability for £10,000,000, public and products liability for £5,000,000 and contract works for £1,500,000 per event. Electronic copies of the insurance certificates are held on file and updated annually.

The insurance requirements are stated in the contract. Where there is a minimum amount of cover required the contractor meets the conditions and, in most cases, has a higher cover than the contractual agreement requires.

There is a nominated contract officer responsible for ensuring up-to-date insurance certificates are obtained each year and saved to the relevant folder.

4.6.4 The Council may not be aware of the risks in relation to the services provided (where it retains responsibility) and has not taken steps to address them.

The Neighbourhood Services risk register is currently undergoing an update. The draft document was shared for the purpose of this audit. The register identifies generic contract management risks such as service disruption, safe working practices and compliant procurement. There are also risks identified specific to the audit area including: loss of depot and working conditions and environment. The updates to the register incorporate risks associated with the Covid-19 pandemic and associated restrictions. Appropriate actions are in place to help reduce, remove, or share the risks such as insurance, regular liaison with the contractors and reviews of continuity plans.

4.6.5 The contractor may not be aware of the risks in relation to undertaking the contracted services and has not taken steps to address them.

The contractor has provided the Council with copies of the risk assessments they have in place. There are currently over 100 in the folder covering a wide range of risks and various aspects of the contract. This includes: litter picking, chemical use, driving composting, contact with sharps, legionella checks and much more. There are also generic risk assessments for risks such as manual

handling and fire procedures. The risk assessments are easy to understand and clearly set out. The risk assessments are all dated and have review dates logged.

There is a nominated contract officer responsible for obtaining up to date risk assessments from the contractor and retaining copies for the Council.

5 **Conclusions**

5.1 Following our review, in overall terms we are able to give a SUBSTANTIAL degree of assurance that the systems and controls in place in respect of Street Cleansing are appropriate and are working effectively to help mitigate and control the identified risks.

5.2 The assurance bands are shown below:

Level of Assurance	Definition
Substantial Assurance	There is a sound system of control in place and compliance with the key controls.
Moderate Assurance	Whilst the system of control is broadly satisfactory, some controls are weak or non-existent and there is non-compliance with several controls.
Limited Assurance	The system of control is generally weak and there is non-compliance with controls that do exist.

5.3 There are no recommendations arising from the review and therefore no action plan is included with this report.

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