

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

SUBJECT: Grounds Maintenance
DATE: 9 October 2019

1 Introduction

- 1.1 In accordance with the Audit Plan for 2019/20, an examination of the above subject area has been undertaken and this report presents the findings and conclusions drawn from the audit for information and action where appropriate.
- 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 grounds maintenance contract was let as part of a large exercise covering a number of different services provided by Neighbourhood Services. The contract was awarded to The Landscape Group (now known as IdVerde) and commenced in April 2013.
- 2.2 Client-side management of the contract is carried out by staff in the Contract Services section of Neighbourhood Services.
- 2.3 Work is carried out not only for Neighbourhood Services, but also for Cultural Services (sports facilities), Housing Services, the Assets team, and the County Council.

3 Scope and Objectives of the Audit

- 3.1 The audit was undertaken in order to test the management and financial controls in place.
- 3.2 In terms of scope, the audit covered the following areas:
- Service provision and monitoring
 - Contract amendments and variations

- Finance
- Contingency planning and risk management

3.3 The audit programme identified the expected controls. The control objectives examined were:

- Staff are aware of what the Council aims to achieve in relation to the services that are being provided
- Contractors are aware of the services to be provided
- Works are undertaken to agreed standards
- Permanent changes to the contracts are formally agreed
- The Council only pays for work that has been previously agreed
- Budget variances are limited as the budgets are set appropriately in line with known areas of income and expenditure
- The Council is aware of any potential budget variances
- Payments are valid and accurate and processed in accordance with the appropriate conditions of contracts
- All income due to the Council is received
- Contingency plans exist to ensure that the service continues to be provided
- The Council would not be financially disadvantaged should the contractor fail to provide a service
- The Council will not be liable for any claims received due to the work of the contractor
- The Council is aware of the risks in relation to the services provided (where it retains responsibility) and has taken steps to address them
- The contractor is aware of the risks in relation to undertaking the contracted services and has taken steps to address them

4 Findings

4.1 Recommendations from Previous Report

4.1.1 The current position in respect of the recommendations from the audit report in December 2016 is as follows:

Recommendation	Management Response	Current Status
Formal, authorised, variation orders should be maintained for changes to the grounds maintenance contract with these being coordinated through a named officer.	Changes to the contract bill of quantities will be supported by formal contract variation orders in order to identify the changes made, both in terms of measurement and cost.	Changes to the contract BofQ's and VO's are retained here I:\CONTRACT SERVICES\NEW CONTRACT 2013-2021\Grounds Site List and Bof Q\Contract Amendments These are undertaken by the Green Space Development Officer.

Recommendation	Management Response	Current Status
Budgets for the relevant codes should be set in line with the known costs with budget managers for other codes being informed of the relevant figures to use.	Where contract variations have an impact on the allocated budget, agreement will first be sought from the budget manager, who can then make the necessary budget allocations.	Around August, Accountancy is advised of the inflation rate and it adjusts the budget codes accordingly for the following year. For any contract variations the request / agreement for any changes will have come from the particular service area whose budget it will affect.
Supporting documentation should be retained for the variable invoices received.	Contract variation orders will be raised for any work over and above the core contract.	For any work over and above the core contract, a VO is raised with a copy issued to the contractor and a copy retained here I:\THE CONTRACT TEAM\Grounds\Variation Orders\2019

4.2 Service Provision & Monitoring

- 4.2.1 The contract is monitored through performance measures and KPIs which are set out in the Team Operational Plan. Responsibility for monitoring the measures and KPIs is assigned to designated officers.
- 4.2.2 The 2019-20 Service Area Plan also includes measures relevant to Grounds Maintenance such as phone call data and time taken to respond to complaints and enquiries. There is also a section on Managing Risks which includes ongoing actions that apply. These include joint inspections, liaison meetings and customer enquiries and complaints.
- 4.2.3 Contract documentation was located in the Document Store. It was stored under a different number to the one advised in the contract register. The Contract Manager has been advised so this can be corrected. The original contract was signed in 2013 by the Landscape Group.
- 4.2.4 The company changed their name in October 2016 but, whilst a copy of a letter from the contractors detailing their name change and new bank account details was available to view on the network in the shared drive, there is no formal document held with the contract to support the change.

Advisory

Contract Manager to ensure the contract register is updated with the correct information and a copy of the amendment letter is stored with the contract.

- 4.2.5 The Contract Officers monitor the contract and liaise with the contractors. This is done through weekly inspections, fortnightly work updates and monthly

meetings. The inspections and meetings are documented and show where substandard work has been highlighted.

- 4.2.6 The contract documentation includes the specification and method statements which set out the expected standards of service and detail the work to be completed. Although not stored with the contract they were easily located on the network in the shared drive.
- 4.2.7 The specification covers the types of management or maintenance for the various areas. It is supported by detailed site lists which include comprehensive criteria such as the required length of grass to the types of floral containers to be used. The method statements formed part of the original tender documents and, although these were agreed, there will have been minor changes that have occurred over time.
- 4.2.8 Joint inspections are carried out on a weekly basis by the Contract Officers and contractor staff. The inspections are documented listing the work checked and the quality of it. The inspection sheets are saved and stored on the network in the shared drive. Any issues noted are raised at the time directly with the contractors and are rectified at the time.
- 4.2.9 Meetings with the contractors are held on a monthly basis with agendas and minutes being formally documented and saved on the network. Meetings are used to discuss the planned work, substandard work and any variations required.
- 4.2.10 The contractors provide the Council with a work update spreadsheet every fortnight. This spreadsheet contains up-to-date information of the work completed and a schedule of works still to be done. This allows the Contract Officers to monitor the work and ensure the contractors are on target to complete the specified workload in time.
- 4.2.11 In the last financial year there were 164 complaints received regarding grass cutting. Most of these were dealt with by Grounds Maintenance. Of the samples reviewed, the majority of complaints were resolved within a week. Many of the complaints had been received when the team had finished a shift or had a break and returned to the job later or the following day; residents perceived the work to be forgotten and called or emailed to complain.
- 4.2.12 One particular complaint had taken a longer time to resolve (152 days). The issue occurred because the land in question had only recently been adopted and had not yet been added to the site maps provided by Warwickshire County Council (WCC). As Warwick District Council maintains the verges, shrubs and hedges for WCC highways, confirmation was needed from WCC to include the site in maintenance programme.
- 4.2.13 Substandard work is raised through various channels, including complaints, joint inspections, internal park group meetings and through the contractors own monitoring system. Rectification notices are issued and, if not completed to standard within the specified time frame, default notices are issued. In the previous financial year (2018-19) there were 87 rectification notices issued and 17 default notices. These did not incur financial penalties as the contract conditions are written so that money is only deducted if there are five or more defaults written within the same week.

4.3 **Contract Amendments & Variations**

- 4.3.1 Amendments to the contracted work carried out by the contractors are discussed at the liaison meetings. The cost is calculated using the Bill of Quantities and added to the annual invoice. A variation order is completed and agreed with the contractors, with the site plans and spreadsheets being updated with the new amendments added.
- 4.3.2 Where ad-hoc variations are required they are discussed at the monthly meetings with the contractors. The cost implications are considered along with the expected standard and specifications of the work required. Where the costs would impact other budget managers they are informed of the changes and their agreement is sought.
- 4.3.3 Ad-hoc works are carried out infrequently and include various works such as additional grass cutting, hedge cutting and installing water standpipes. Quotes are provided before the work commences. Although a list of payment rates was provided with the contract, setting out costs for additional works, it was based on an hourly rate and is no longer used. Instead ad-hoc works are charged on a job or daily rate basis as agreed at the start of each year or at monthly meetings with the contractor.

4.4 **Finance**

- 4.4.1 The main budget for Grounds Maintenance is spread across a number of ledger codes. The figures for the budgets on Total were compared to the annual orders raised which highlighted variances across all codes.
- 4.4.2 Most of the variances were minor. However, there was one budget that was £10,000 overspent. On discussion with the relevant Accountancy staff it was discovered that a virement should have been applied to the cost code to cover the grounds maintenance works at a housing site that had been added to the contract. This has now been corrected.
- 4.4.3 The annual contract amount is split across twelve monthly invoices with the payments split proportionately across the various relevant ledger codes. This figure should determine the basis of the budgets with an allowance made for variation orders. The charges are discussed with the relevant budget manager so they are able to monitor their budgets accordingly.
- 4.4.4 The budgets are reviewed on a monthly basis with the Assistant Accountant. Any variances highlighted or potential overspends are discussed.
- 4.4.5 Payments made to the contractors, including those for variations of works, have been paid in a timely manner and authorised appropriately. Invoices for the work had been saved on Total alongside the relevant payments.
- 4.4.6 Chargeable fees for external customers are received through the sundry debtor system. The only external customer charged for services in the last financial year was Warwickshire County Council (WCC). This is for grass verge, hedge and shrub cutting. WCC pay a pre-agreed fee each year with an annual invoice being raised.

4.5 Contingency Planning & Risk Management

- 4.5.1 A contingency plan was referred to in the risk register but was unable to be provided for this audit.

Risk

In the event of the contractor failing to complete the work there might be an absence of plans in place to ensure the standards of the service are maintained.

Recommendation

There should be plans in place allowing the service to continue to be maintained in the event of the contractor being unable to complete the work.

- 4.5.2 A performance bond of 10% of the annual sum is required as part of the contract. Although a performance bond was produced for the auditor's inspection, it was noted that it was no longer current, having expired on 31 March 2018. In addition, it was also noted that the bond had been signed only by the guarantor.

Risk

Without a performance bond in place there may be a financial loss to the Council should the contractor fail.

Recommendation

A performance bond should be put in place for the contract and duly signed by all relevant parties.

- 4.5.3 Copies of the insurance documents are saved to the shared folder. They are updated annually. Due to a recent change in staff, the current year's documents had not been obtained by the Contract Officer until they were requested as part of this audit. The updated documents expire February 2020.
- 4.5.4 The contract requires the contractor to have public and employer's liability and professional indemnity insurance with a minimum limit of £5m. The up to date insurance documents exceed this. The documents provided also include details of vehicle insurance held.
- 4.5.5 The risk register for Neighbourhood Services has a generic section as well as area specific sections. These cover relevant risks and measures to reduce them for the services provided by the Grounds Maintenance contractor. Some of the highest risks identified include the contractor's performance not meeting the required standards, service disruption, accidents / health and safety of contractors and damages and injuries resulting from poorly maintained trees.

- 4.5.6 Grounds Maintenance is often performed in public areas whilst members of the public are around. The Council has a responsibility to ensure works on Council land are carried out safely. Accordingly, the contractors have produced detailed risk assessments that cover all aspects of the work specified in the contract documents. The copies on file were last reviewed in January 2018. There is an accompanying risk index which rules out some of the risk assessments as not being relevant to the contract. However, these works are listed in the specification and are carried out frequently. As such, it is considered that they should be included.

Risk

There may be a potential a risk of injury to members of the public or Idverde staff due to risk assessments not being used.

Recommendation

Checks should be in place to ensure risk assessments have been reviewed annually and are relevant to the contract.

5 Summary & Conclusion

- 5.1 Following our review, we are able to give a MODERATE degree of assurance that the systems and controls that are currently in place in respect of Grounds Maintenance are appropriate and are working effectively.
- 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 The assurance level provided is based on concerns relating to an absence of a contingency plan and an absence of a performance bond together with gaps in the risk assessments provided by the contractor.
- 5.4 A minor advisory was also noted to address storage issues concerning contract documents.

6 Management Action

- 6.1 The recommendations arising above are reproduced in the attached Action Plan (Appendix A) for management attention.

Richard Barr
Audit and Risk Manager

Action Plan

Internal Audit of Grounds Maintenance – October 2019

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.5.1	There should be plans in place allowing the service to continue to be maintained in the event of the contractor being unable to complete the work	In the event of the contractor failing to complete the work there might be an absence of plans in place to ensure the standards of the service are maintained.	Medium	Contract Manager	A contingency plan for contractor failure has been created and will be drafted and reviewed annually to ensure it is up to date and relevant.	End of Oct 2019
4.5.2	Documents should be reviewed and renewed as appropriate and signed by relevant parties.	Without a performance bond in place there may be a financial loss to the Council should the contractor fail.	Medium	Contract Manager	A performance bond will be agreed and put in place.	End of Oct 2019
4.5.6	Grounds Maintenance is frequently carried out in public areas whilst members of the public are around. The Council has a responsibility to ensure works on Council land are carried out safely. Checks should be in place to ensure risk assessments have been reviewed annually and are relevant to the contract.	There may be a potential a risk of injury to members of the public or Idverde staff due to risk assessments not being used.	Low	Contract Development & Enforcement officer	Copies of Risk Assessments are updated annually by IDVerde. This year's copies have been reviewed by The Council and stored in our system. Annual meetings H&S Audit meetings occur between both contract management teams, and include technical H&S Officers from the Councils and the Contractors.	Complete

* Risk Ratings are defined as follows:

High Risk:	Issue of significant importance requiring urgent attention.
Medium Risk	Issue of moderate importance requiring prompt attention.
Low Risk	Issue of minor importance requiring attention.