

**Decision Maker:** ENVIRONMENT AND COMMUNITY SERVICES POLICY  
DEVELOPMENT AND SCRUTINY COMMITTEE

**Date:** 18 June 2019

**Decision Type:** Non-Urgent Non-Executive Non-Key

**Title:** ARBORICULTURAL SERVICES CONTRACT: REVIEW AND  
UPDATE OF AUDIT FINDINGS

**Contact Officer:** Sarah Foster, Head of Performance Management and Business Support  
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**Chief Officer:** Executive Director of Environment & Community Services

**Ward:** (All Wards);

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1. Reason for report

This report is in response to a request by Members of the Environment & Community Services PDS Committee and the Audit Sub-Committee, to have an opportunity to further discuss the recent findings of the internal audit report into the Arboricultural Services Contract. There were four priority 1 recommendations and six priority 2 recommendations arising from the audit and each is summarised in this report, along with a progress update which outlines how Environment & Community Services have taken steps to address each of the audit findings.

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2. **RECOMMENDATION(S)**

2.1 **That PDS Committee reviews and comments on the content of the report.**

### Impact on Vulnerable Adults and Children

1. Summary of Impact: The services delivered by the Arboriculture Contract are used by all residents, including vulnerable adults and children. Protection is not the primary purpose but adjustments are made, as required, to ensure services are as accessible as possible and all users are safe.
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### Corporate Policy

1. Policy Status: Not Applicable
  2. BBB Priority: Excellent Council Quality Environment Safe Bromley Healthy Bromley
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### Financial

1. Cost of proposal: Not Applicable
  2. Ongoing costs: Not Applicable
  3. Budget head/performance centre: Arboriculture Services Budget
  4. Total current budget for this head: £769k
  5. Source of funding: Existing controllable revenue budget for 2019/20
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### Personnel

1. Number of staff (current and additional): 5 FTEs
  2. If from existing staff resources, number of staff hours: N/A
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### Legal

1. Legal Requirement: Statutory Requirement
  2. Call-in: Not Applicable:
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### Procurement

1. Summary of Procurement Implications: Not Applicable
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### Customer Impact

1. Estimated number of users/beneficiaries (current and projected): Whole Borough
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### Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments: Not Applicable

### **3. COMMENTARY**

- 3.1 During Quarter 3 of 2018/19, an internal audit was undertaken of the Arboricultural Services Contract, managed by the Neighbourhood Management Division of Environment and Community Services. The objective of the audit was to review the governance and management of the contract to ensure controls were satisfactory and mitigate risk.
- 3.2 The Arboricultural Maintenance contract was awarded to the contractor in 2008 for an initial period of 9 years but extended to March 2019 by Deed of Variation signed in September 2017. Given that at the time of audit, the contract was due to end in March 2019 and a new contractor would be delivering the service, the audit sought to highlight areas of weakness to be addressed to improve management and monitoring for the new contract effective from April 2019.
- 3.3 At the time of the audit, there were significant resourcing issues within the arboriculture team. The Service Manager had just left LBB and following that, in January 2019, a further post became vacant. This left three tree officers, one of which stepped up to act as Interim Service Manager (ISM). There had been very limited time for a formal handover of responsibilities to the ISM, who has been working incredibly hard to get up to speed with the requirements of the role, managing the exit of the old contract and mobilising the new one. The ISM is performing well in this role. At the time of writing this report, recruitment is underway to fill the vacancies in the team.
- 3.4 The detailed findings of the audit can be found in [Audit Report ECS/7/2018/AU](#) discussed at Audit Sub-Committee on 04 June 2019. Each of the Priority recommendations and progress against delivering them has been summarised below.

#### **3.5 Priority 1 recommendation (1): Payment Process**

- 3.5.1 The audit review and testing identified that the payment process was weak, with the main issues relating to: separation of duties, inadequate checking of orders to support invoicing and incorrect coding of invoices. Defaults had not been processed for 2018/19.
- 3.5.2 In terms of the processing of defaults under the old contract, the final invoice is yet to be submitted by the contractor. The defaults for 18/19 will be applied to that invoice prior to payment. There have been staffing changes within the previous contractor's team which have caused the delay to the invoicing process. The ISM is liaising with the previous contractor to ensure a swift resolution.
- 3.5.3 From 1<sup>st</sup> April 2019, payment responsibilities for Arboriculture have been transferred to the Performance Management and Business Support Team, of Environment and Community Services. This function was not transferred under the previous contract, given that recruitment for the Performance Management and Business Support Team did not commence until 2018 and was only completed in Quarter 2 of 18/19. Contracts requiring support by the new team were prioritised according to risk (based on contract value or any previous audit findings), with monitoring work commencing with the Waste Management contract in the first instance, followed by Street Environment. For each of the Neighbourhood Management contracts, a robust Contract Monitoring Framework (CMF) has now been developed and implemented, including an electronic Contract Filing System (CFS) with stringent protocols for version and access control and a Designated Site Administrator (DSA). These procedures are also being implemented across the wider ECS department.
- 3.5.4 The Performance Management and Business Support team will be undertaking a budget monitoring role for each of the Neighbourhood Management contracts in order to support Contract Managers and ensure a separation of duties in terms of invoice payment. A

Performance Management Framework (PMF) has been developed and implemented for all new Neighbourhood Management contracts commencing from 1<sup>st</sup> April 2019, linked to payment of invoices. This PMF contains a suite of performance indicators, for which evidence is required from the service provider to support payment. Procedures are in place for each contract to check the submission of evidence each month and feed data into the PMF template. Should evidence be insufficient or if performance is not to the required service standard, the Service Provider will be required to submit a Corrective Action Plan (CAP) outlining the measures they will take to improve performance. A monetary Performance Adjusted Value (PAV) is applied to any contract that does not perform to the required standard each month. A financial deduction is immediately applied for poor service, but with an amount kept in abeyance until the Service Provider can demonstrate that their CAP has been effective. If this cannot be demonstrated, the abeyance sum is deducted from the following invoice. The CAP encourages an incentivised approach to driving forward continual improvement, as, rather than the automatic application of the full financial penalty, providers are expected to demonstrate that they have invested the equivalent financial resource to improving the service in any given month.

### **3.6 Priority 1 recommendation (2): Open Orders and Confirm**

- 3.6.1 During the audit review of budget monitoring, a significant number of open orders were identified on Confirm (the electronic contract management system used to allocate jobs to the Service Provider) that were shown as not completed or submitted for payment. A Confirm report generated by IT support showed that as at January 2019 there were 1,238 outstanding jobs between 1/4/17 and 3/1/19 with a total value of £185,880.
- 3.6.2 The primary concern was that these open orders either represented poor performance where allocated jobs had not been undertaken, poor housekeeping whereby cancelled jobs had not been deleted or a Confirm system problem. An IT system anomaly was identified and it was agreed that IT support would undertake to resolve this. At the time of writing this report, Confirm IT Support are still working to resolve system errors and clear outstanding open orders from the system (though the ISM has confirmed that payment for all orders incorrectly shown as open has in fact been completed).
- 3.6.3 The number, value and elapsed time of these open orders represents poor contract management by the client team but Internal Audit acknowledged that this situation had been hampered by the departure of the previous Service Manager and inadequate handover to the ISM.

### **3.7 Priority 1 recommendation (3): Monitoring the contract**

- 3.7.1 The audit highlighted that the monthly invoices under the old contract arrangements were paid without inspections on completed work, with monitoring undertaken in arrears. The agreed performance monitoring regime was to inspect the ten highest value jobs each month (allocated to the ISM) and then 10% of all other jobs but to include all felled trees. The inspections were allocated to arboricultural officers according to geographical area.
- 3.7.2 Audit concluded that the expected level of monitoring is high and when compounded with resources issues (vacant posts and interim management responsibilities for one of the arboriculture officers), is not achievable. It is acknowledged that this team have experienced significant resource issues during 2018/19. This coincided with the award of the new contract and the termination of the contract with the incumbent contractor. These factors had an impact on performance monitoring with the team prioritising customer enquiries (FMS) in line with the priorities set out by LBB and tree condition surveys as the health and safety of the public is a significant risk.

3.7.3 The Contract Monitoring Framework and Performance Management Framework have been applied to the new contract from 1 April 2019. Evidence requirements to support the PMF (and therefore monthly invoice payment) have been agreed as part of the service specification and the Performance Management and Business Support team have received training from the ISM on the use of Confirm system and the process to sample audit the supporting evidence from the service provider (though qualified tree officers will still confirm the quality of individual work undertaken using a risk based approach to identify orders to be checked). A payment certificate will be run from the Confirm system to list out all orders where the Service Provider has requested payment for work. This process will be made simpler when the new Confirm Workzone system is in use (anticipated in Quarter 2).

3.7.4 The Head of Performance Management and Business Support brings contract monitoring and management experience from within the Environmental sector and will now be overseeing and scrutinising (alongside the Assistant Director of Environment and Contract Managers) the performance of the Arboriculture Services contract, with a commitment to ensuring continual improvement is demonstrated. The newly appointed Assistant Director of Environment brings many years of operational experience within Bromley to the role and has already progressed the recruitment process to ensure the vacancies within Neighbourhood Management are filled promptly with staff that have the right skills.

### **3.8 Priority 1 recommendation (4): Defaults**

3.8.1 The audit check on performance monitoring identified that 61 jobs were shown on the monitoring reports as not completed and therefore a default should have been issued. As the work is inspected after the invoice has been paid, the value of the jobs (£6357.86), deemed to be defaults, should be recovered. As the final invoice has not yet been submitted for payment, the default is yet to be applied, but will be deducted from the final contract payment to the Service Provider. The raising of invoices has been passed to the previous Service Provider's Head Office admin function, following the departure of the admin function from the Service Provider's contract team.

### **3.9 Priority 2 recommendations**

3.9.1 The 6 Priority 2 recommendations related to the need for scanned contract documents to be complete; rationalising the two team sites and conforming to ECS standard format; revision and completion of procedure notes; completion of the agreed ECS contract monitoring framework, improve the contract monitoring minutes to be representative of discussion and cross referenced to information presented and lastly to identify and meet training needs of key staff.

### **3.10 Scanned Contract Documents to be complete**

3.10.1 The contract documentation for the previous contract has been uploaded to the Council's Contract Database and the Arboriculture Contract Filing System by the Designated Site Administrator.

### **3.11 Rationalising the two team sites and conforming to ECS standard format**

3.11.1 All applicable contract documentation has been transferred to the new Arboriculture Contract Filing System (CFS), in line with agreed ECS standard protocols and folder structure. The DSA maintains standardisation in terms of folder organisation and version control. The CFS contains all contract documentation, meeting minutes, final invoices and associated evidence, the PMF and monthly service reporting information. The Trees and Woodlands team site is for non-contractual team working documents. The different functions of the two sites are fully understood by both the DSA and the Arboriculture team. Standard protocols for the team sites

have been implemented and training has been provided by the DSA on the use of the folder structures, naming conventions and version control.

### **3.12 Revision and completion of procedure notes**

3.12.1 The ISM is working through updates to the procedure notes which will all be saved on the Contract Filing System. The ISM is prioritising core processes such as the payment process (which has been completed and is with audit for final review).

### **3.13 Completion of the agreed ECS contract monitoring framework**

3.13.1 The ECS standard Contract Monitoring Framework (CMF) has been applied to the Arboriculture contract with full effect from 1<sup>st</sup> April 2019. Contract Monitoring is outlined in contract documentation, including a schedule of meetings at which contract performance is discussed and documented. Governance arrangements are included in the Terms of Reference for each meeting. The first full PMF will be discussed at the June contract meeting with the new Service Provider, which will be attended by the ISM, Assistant Director of Environment and the Head of Performance Management and Business Support.

### **3.14 Improve the contract monitoring minutes to be representative of discussion and cross referenced to information presented**

3.14.1 The responsibility for documenting Service Operations Board meetings and Strategic Partnership Board meetings for the Arboriculture contract is being undertaken by the Performance Management and Business Support team. Training has been provided to ensure all three Business Support Officers are minuting meetings to a consistent standard and format aligned to the CMF and that these are recorded on the Contract Filing System and agreed as a true record by all parties. Consistent agendas, meeting Terms of Reference and guidance for minuting and facilitating meetings have been developed and agreed with all Contract Managers.

### **3.15 Identify and meet training needs of key staff**

3.15.1 The Interim Service Manager has undertaken training on financial regulations and is familiar with the Council’s current Contract Procedure Rules. The ISM has been trained on the Contract Monitoring Framework and how it should be applied, along with the protocols for the Contract Filing System. Training will be reviewed throughout the year by the Head of Performance Management and Business Support through the departmental Training Needs Analysis (TNA) and responsibilities matrix, to ensure all Contract Managers are still familiar with the use of the CMF and the CFS on an ongoing basis. The DSA will also be undertaking sampling with the Contract Managers to check the locations of documentation and procedures.

## **4. POLICY IMPLICATIONS**

The activities in this report reflect the Council’s priorities and aims as set out in:

- Environment Portfolio Plan 2018/21 (see ES18035 on the 10th July 2018 agenda)
- [Building a Better Bromley 2016-18](#) (‘Quality Environment’ & ‘Excellent Council’)

<b>Non-Applicable Sections:</b>	Financial, Personnel, Legal, Procurement
Background Documents: (Access via Contact Officer)	<a href="#">Environment Portfolio Plan ES18035</a> <a href="#">Building a Better Bromley (2016-18)</a>