

CHILTERN & WYCOMBE JOINT WASTE COLLECTION COMMITTEE (JWCC)
29th September 2016

**Internal audit review of Joint Waste Collection, Recycling & Street
Cleansing Contract for Wycombe DC and Chiltern DC**

Contact Officer: Sally Gordon (sgordon@chiltern.gov.uk- 01494 586868)

RECOMMENDATION

**That the Joint Waste Collection Committee note the action plan relating
to an internal audit of the waste contract with Serco**

1. Introduction

The purpose of this report is to provide feedback on an internal audit of the waste contract with Serco, with information on the resulting action plan.

2. Background

2.1 The contract review was completed by Moore Stephens on behalf of Wycombe District Council, during September/October 2015 and in accordance with the approved annual Internal Audit plan for 2015-16 for Wycombe District Council (WDC) and Chiltern District Council (CDC). Prior to this, an assurance review of the contract was performed in 2013-14 by CDC's Internal Audit team. The 2013-14 review gave 'Reasonable Assurance' over the adequacy of controls in place and presented two key findings, which are provided at Table 2 overleaf.

2.2 The objective of the audit in 2015 was to review the contract management arrangements for contract monitoring and financial management that are in place, now that the contract is fully operational and the phased handover process has completed. The key findings raised in the previous audit were also reviewed to ensure that the relevant action had been taken.

2.3 The audit focused on 8 key areas of risk:

Table 1

1	The contract management framework is in accordance with the contract specifications;
2	Contract governance arrangements are appropriate and working as intended;
3	Contract administration procedures, notably contract variations and budget management and monitoring, are effective;

4	Performance is regularly reported and monitored, both operationally and at a strategic level, with arrangements in place as per the contract;
5	Payments are being made in accordance with the contract and only following scrutiny against service deliverables;
6	Special collections are being controlled and operating on at least a cost-neutral basis;
7	Formal funding agreements for the payment of recharges between CDC and WDC are being adhered to;
8	Value for money is being monitored proactively so that the Councils continue to pay for a level of service that reflects changing demands and requirements.

In addition, the two key findings from the previous CDC audit are outlined below:

Table 2

1a)	The outstanding contractual issue with SERCO and the recycling of waste paper needs to be resolved as a matter of urgency to prevent relations with the contractor from deteriorating.
2a)	It is important that the written procedures for managing and monitoring the contract with SERCO be produced at the earliest opportunity.

3. Summary of recommendations & management responses

3.1 Some positive feedback was provided which is encouraging for the Joint Waste Team:

- Customer feedback indicates that the contract is delivering some expected outcomes
- The Joint Waste Team have significant knowledge and expertise of the contract and its practical applications
- A good relationship exists between the Senior Officer (Waste), Service Delivery Manager and the Serco contract manager, despite setbacks from the supplier side
- There was an overall will for the contract to succeed
- Both councils have clear corporate priorities regarding the environmental agenda
- Good arrangements over the transition from procurement to contract operations and good knowledge and experience within the team

3.2 The audit identified three key areas for improvement as outlined below:

1	The performance framework in the contract is not fit for purpose and should be amended as soon as possible. The framework
---	---

	contains 70 measures to be monitored, which is excessive and sets no targets for achievement which makes continuous improvement very difficult to measure.
2	Performance failure points, as set out in the contract, have been calculated by the Joint Waste team for the 2014-15 financial year, accruing to a significant total within the context of the annual contract value. There has, as yet, been no formal approach to Serco to apply the penalty value in part, or in full.
3	Review and agreement of performance failure points, as set out in the contract, should form part of the monthly reporting and formal contract discussions, with any resulting penalty values being agreed and

4. Audit action plan

An action plan in response to the issues raised by the internal audit has gone to WDC's audit committee and the key areas covered in the action plan are summarised below:

Key area	Action
Serco to take responsibility for monthly performance reporting	This is now taking place
Simplification of KOT framework	Simplified process is in place and Deed of Variation to document the changes is in progress
Removal of contract change notice raised by Serco	Any future progression of this is in Serco's hands, but has been subject to discussion through negotiations on simplification of the KOT framework
Updating and regular formal review of risk register	This takes place through the JWCC
Formal decision to be made on KOT failure points for 2014/15 & 2015/16	This is being progressed through negotiations with Serco and is subject to support from JWCC on 29/09/16
Review and agreement of monthly KOTs with value of penalty deductions being applied	This is taking place from 2016/17
Review of payment mechanism at mid point of contract	Not accepted – as payment mechanism does work

5. Next Steps

A follow up review meeting is due to take place in September with Moore Stephens to assess progress against the issues highlighted in the action plan.