



DERBY CITY COUNCIL

**AUDIT AND ACCOUNTS
COMMITTEE
19 FEBRUARY 2007**

ITEM 9

Report of the Head of Audit and
Risk Management

BUS REAL TIME - CHELLASTON

RECOMMENDATION

- 1.1 To note the report.

SUPPORTING INFORMATION

- 2.1 At its meeting on 28 September 2006, the Audit and Accounts Committee received an oral report on the governance and internal control issues which may have contributed to the delays in the Bus Real Time Information Scheme in Chellaston. The Committee asked the Head of Audit and Risk Management to review the contract and highways partnering arrangements and to report back. Internal audit's review has now been completed and a report has been produced on internal control weaknesses, which is currently being discussed with the relevant managers in the Highways and Transport Division. This report outlines the key issues arising from audit's review.
- 2.2 This project was part of an overall highway maintenance partnering contract that the Council operates with MHM Ltd. Over recent times there has been a move away from the more traditional method to undertake a contract. The client and contractor approach arising from Compulsory Competitive Tendering is now perceived in many cases to be restrictive and confrontational. This has led to a softer approach with the introduction of partnering. Partnering does not mean a cosy relationship is developed, but if established appropriately, partnering can provide greater assurance that value for money is being achieved. The partnering approach strives for full commitment from both sides and actively searches for continuous improvement. The approach focuses on team working rather than a "them and us" approach. It has a number of benefits including:
- Greater certainty of contract delivery.
 - Avoidance of a long drawn out tendering process.
 - Cost savings.
 - Improved service delivery.
 - Staff development.
 - Improved communication.
 - Reduction in conflict.
 - Improved efficiency.
 - Fewer disputes.
 - Greater responsiveness to problems.

- 2.3 The total highways contract is currently worth approximately £3.6million per annum. The cost of the Chellaston BRTIS is estimated at approximately £300,000. However this does not include staff time of Council Officers. There are no financial implications due to the delay in completion of the scheme as the price is based on work completed.
- 2.4 The following are considered to be the key issues:
- There appeared to be inadequate resources made available by Morrison Highway Maintenance Ltd to manage and support the scheme.
 - The impact on the completion of scheme due to other Council schemes having a higher priority with regard to resources does not appear to have been fully considered.
 - Wayfarer Transit Systems Limited did not produce the updated software on a timely basis to enable the bus real time information system to interface with the Arriva ticket machines.
 - The benefits of the partnering arrangement are not readily identified and demonstrated.
- 2.5 The lessons to be learnt from this review are:
- The length of the consultation period for residents to raise any concerns they may have needs to be addressed, especially where it covers the summer holiday period
 - For joint local authority schemes early consultation with those authorities concerned is sought to share ideas and experiences that will help prevent costly and unacceptable delays
 - There is a need to monitor closely the key milestones of the project/scheme
 - There must be an agreed provision of resources prior to the commencement of the scheme
 - When individual schemes are part of major maintenance schemes, they must be continuously monitored and assessed as to their priority including the impact subsequent delays may have on the completion of other schemes
 - There needs to be a detailed plan of each stage of the scheme prepared following consultation with all parties concerned to establish and consider the implications of successfully completing each stage of the scheme in a timely manner
 - The Project Manager must closely monitor the achievement of targets and where these are not being met, meets with all parties concerned to plan remedial action.
- 2.6 No redress has been sought from the Contractor for the delay in completion of the scheme as this does not support one of the key principles of partnering (see1.2.1). These elements include creating a strong relationship on mutual trust, taking the right approach with the right people, with agreed risk sharing and managing a successful outcome for both parties. It differs from traditional contractual relationships by avoiding conflicts and providing a basis for all parties to share in the provision of a quality service to the benefit of all concerned. It seeks to establish a degree of communication and co-operation not normally achieved in traditional relationships.

- 2.7 Raising issues regarding poor performance of a contractor with a view to redress is a sensitive area particularly when a contract is still on-going. Penalty clauses are not deemed appropriate in Partnering Contracts and excessive amounts of time and money can be wasted seeking redress through the legal process. However, if the partnering arrangements cannot demonstrate the benefits intended including contract delivery, cost savings, improved service delivery and improved efficiency there is a risk that the Council is not receiving value for money.
- 2.8 If the partnering arrangements cannot demonstrate the benefits intended including contract delivery, cost savings, improved service delivery and improved efficiency there is a risk that the Council is not receiving value for money. If the Partnering arrangement be unable to demonstrate these improvements an exit strategy should be in place that allows the Council to disengage from the current partnering arrangements while preserving business continuity and minimising risk.
- 2.9 The Highways and Transport Division is currently undergoing a restructure due to Waste Management moving to Environmental Services and the Streetcare customer services functions moving to Derby Direct. However as well as restructuring, there will be improved management focus through the Highways Maintenance term contract which will enable improvements to be made to working practices and address the issues raised in 2.5 above.

For more information contact: Richard Boneham, Head of Audit and Risk Management, 01332 255688
richard.boneham@derby.gov.uk

Background papers:

List of appendices: Appendix 1 – Implications

IMPLICATIONS

Financial

1. None directly arising.

Legal

2. None directly arising.

Personnel

3. None directly arising.

Equalities impact

4. None directly arising.

Corporate objectives and priorities for change

5. The functions of the Committee have been established to support delivery of corporate objectives by enhancing scrutiny of various aspects of the Council's controls and governance arrangements.