

Report of the Assistant Director Customer and Communities

## **Make It York Contract Management**

### **Purpose of Report**

1. To provide an update on actions taken in response to the Veritau report on Make It York contract arrangements.

### **Recommendations**

2. The committee is asked to note the measures taken to improve the contract management arrangements.

Reason: to improve the governance of Make It York.

### **Background**

3. Veritau undertook an audit earlier this year into the Make It York (MIY) contract management arrangements. The purpose of this audit was to provide assurance to management that:
  - the contract agreement includes appropriate performance measures and controls to ensure effective information flow;
  - performance measures are correctly applied in monitoring service delivery;
  - there is effective financial monitoring of the contract;
  - contract activity remains compliant with current council policy and plans over the life of the contract;
  - support has been given during Covid-19 that is compliant with the contract, and government guidance.
4. Key findings from the report, issued on 29 March, were that:
  - a) Whilst the contract documents include performance measures which are measurable and are currently being reviewed in line with the contract specification, service user feedback has not been included as a performance measure in the service level agreement (SLA) despite the requirement

to collect relevant user feedback data being included in the specification. It is recommended that this is addressed.

- b) Whilst the responsibilities of MIY in relation to regular formal communication and the provision of reports is clearly set out in the contract, it was noted that there are no escalation procedures or penalties specified, e.g. for failing to meet reporting requirements.
  - c) Whilst the contract requires regular performance review meetings informed by quarterly performance narrative reports, reporting on the outcomes and targets specified in the SLA, these reports had not been produced since September 2018 meaning that the client meetings were therefore not fully informed on performance.
  - d) The monthly Key Account Management (KAM) report had also not been produced in the period October 2018 to December 2019.
  - e) Good controls are in place for financial monitoring of the contract. (It was noted that MIY had not been able to make its payments to the council in 20/21 due to the pandemic and that the council has been closely monitoring the current financial position of MIY).
  - f) A process for agreement of an MIY annual business plan and an associated refreshed SLA is in place; however, this process was not completed for 2019/20, due to a change in MIY's Managing Director. The process for 2020/21 was being followed but, due to the pandemic, this was taken off the forward plan (and a temporary SLA appropriate to the circumstances of the pandemic was drawn up between officers and MIY).
5. The overall findings of the review were that: "Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited. Our overall opinion of the controls within the system at the time of the audit was that they provided Limited Assurance".

### **Response to the report**

6. The Veritau review was timely in that it fell during the period that officers were drawing up proposals for a new contract with MIY. It was therefore possible to reflect the response to the report in the

new arrangements for MIY agreed by Executive in February and May 2021. As a result, the MIY governance regime was revised, in consultation with the company directors, to ensure that it:

- a. Provides appropriate controls for what is a Teckal company
- b. Delineates clear roles and responsibilities
- c. Resolves conflicts of interest
- d. Is commensurate with the scope of the business
- e. Is clear and transparent
- f. Provides certainty to the council on the progress with delivering the agreed business plan and the financial recovery plan
- g. Provides greater clarity on the outcomes of the work undertaken by MIY
- h. Facilitates appropriate scrutiny of the operation of the company
- i. Enables joined up communications to promote the city

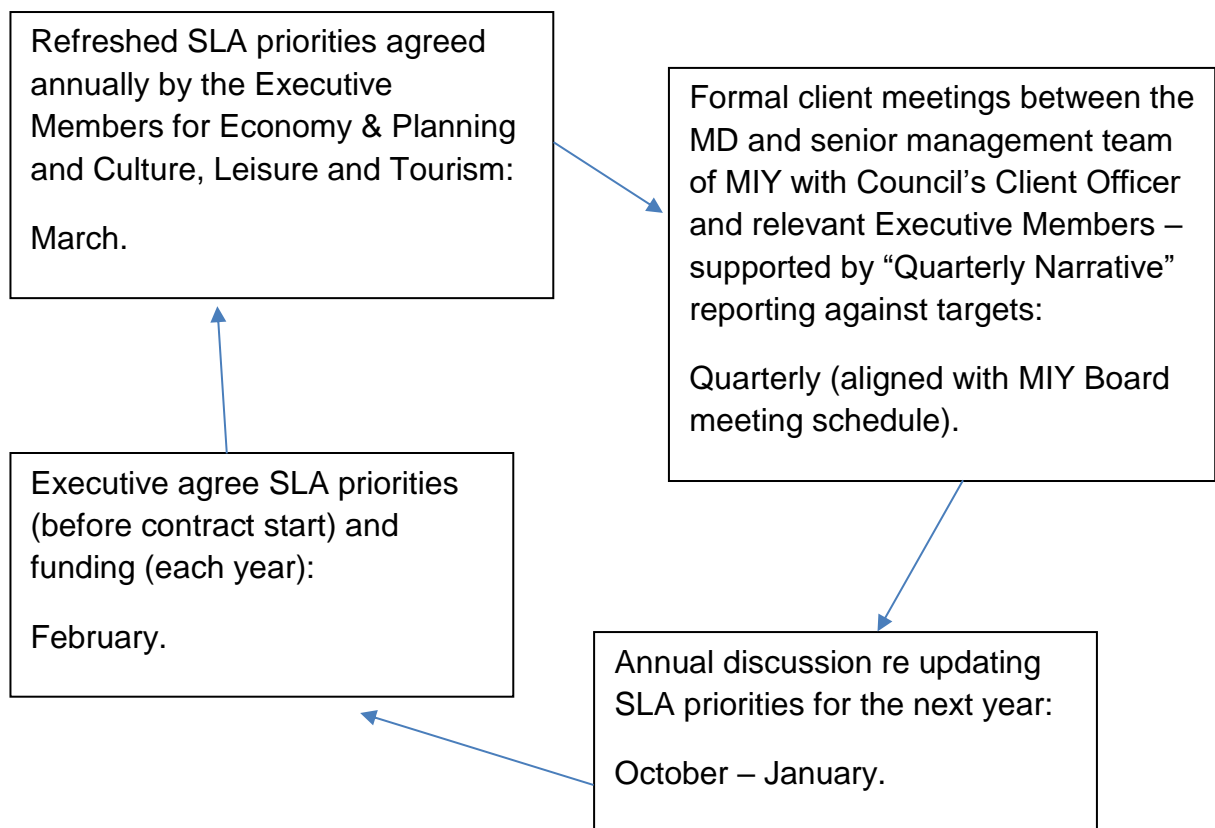
7. Key issues that the revisions addressed were:

- a. A structured approach is now taken to client meetings, placing a focus on the SLA / outcomes and ensuring that the MIY board are kept informed of the business of the client meetings through a quarterly report to the board. Client meetings are informed by a Quarterly Narrative, produced by the Managing Director (MD) of MIY detailing progress against the key deliverables.
- b. The new contract provides mechanisms to ensure robust monitoring of performance against the SLA
- c. Communication and collaboration is improved, with the MD of MIY to attend the council's corporate management team on a regular basis, and regular formal and informal intelligence sharing between CYC and MIY aiding the respective parties in carrying out their functions
- d. In recommending new board members to fill vacancies (of which there are currently three) the board will use skills mapping to ensure an appropriate mix of skills: finance, marketing, events, legal, etc. as well as good sectoral representation
- e. Where a MIY project, plan or initiative gives rise to public accountability considerations requiring a decision to be taken publically through the democratic process, the council will facilitate consideration of the matter through the Executive

decision making process. Relevant reports will frame significant issues at the outset, setting out any consultation proposed together with the decision-making process and endorsing the ultimate decision. The annual business plan will identify which areas of work will require this level of decision-making and any adjustments to that plan will be agreed through the regular client meetings.

## Reporting

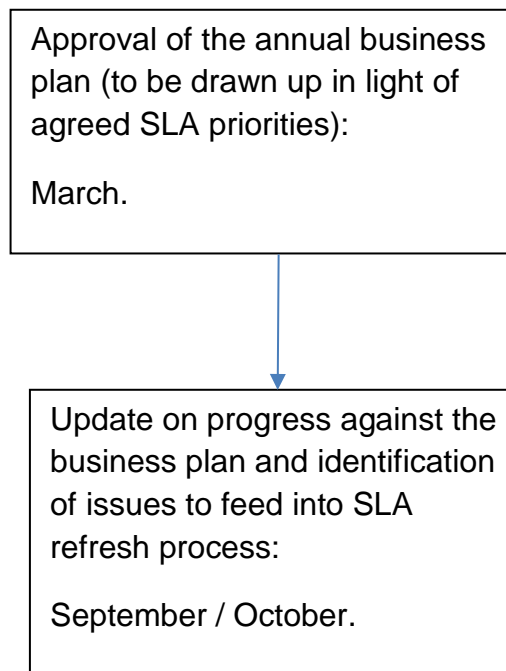
8. Reporting and review now takes place through the council's executive function, facilitated by the client function. The review process works as follows:



9. The Shareholder Committee represents the council's interest as sole shareholder of MIY. Its role is to:
- Act as owners of the company
  - Sign off the business plan
  - Monitor performance and financial delivery against the business plan
  - Exercise decision-making over reserved matters

- Determine the remuneration of directors and any senior managers as identified in the specific scheme of delegation and agree any performance related bonus payments to staff
- Make recommendations to Executive for any investment in/asset transfers to or lending to companies
- Delegate specific functions to officers of the council to increase commercial flexibility

10. MIY will report to the Shareholder Committee twice a year as follows:



11. This process will also ensure that the contribution of the Shareholder Committee is reflected in the developing SLA and its annual revisions.

### **Revised documentation**

12. **Memorandum and Articles of Association:** The Executive requested that amendments be made to the company's memorandum and articles of association to bring them up to date and to introduce a clause requiring a scheme of delegation which will set out the decisions that can be made by the senior management and other employees of the Company; such scheme to be approved by the council. Revised memorandum and articles of association have now been formally approved by the company directors in accordance with this request and submitted to the council prior to their registration with Companies House.

13. **The Contract:** The new contract between the council and MIY was drawn up to reflect the Executive's requirement to ensure robust mechanisms for monitoring of performance against the SLA with a structured approach to client meetings and improved communication and collaboration. Appropriate clauses included:
- Providing stronger step-in rights for the council in the event of any persistent or material failure by MIY to deliver any part of the service, whereby the council could take over operation of the respective function
  - Building into the contract the requirement to provide formal quarterly narrative reports, to hold structured client meetings, to produce an annual business plan and report to the Shareholder Committee as well as to brief other council bodies as required
  - A requirement for MIY to keep robust and detailed information about its activities
14. The new arrangements have been implemented. It will only be once a new MD is in place that the benefits of the new regime can be fully realised but; nonetheless the Chair of the board has stepped in to play the role of the Chief Executive within the client monitoring process in order to ensure that the new arrangements are effective.

### **Risk Management**

15. There are no specific risk issues arising from this report.

### **Implications**

16. There are no additional legal, HR, equalities, crime and disorder, information technology, property or other implications arising from this report.

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**Report**                      ✓      **Date** 16/09/2021  
**Approved**

**Wards Affected:** All

**For further information please contact the author of the report**