

INTERNAL AUDIT SERVICE

LEISURE & COMMUNITY FACILITIES – CONTRACT MANAGEMENT

Duncan Wilkinson, Chief Internal Auditor

August 2016

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Audit Opinion:

Weak

Limited

Satisfactory

Good

EXECUTIVE SUMMARY

1 AUDIT AREA

- 1.1 An audit of Leisure & Community Facilities (L&CF) – Contract Management has been carried out in accordance with the annual audit plan.
- 1.2 The Hertsmere Leisure contract was the focus of this audit.

2 BACKGROUND INFORMATION

- 2.1 The Council has two leisure management contracts in place with Hertsmere Leisure and 1Life. The largest of these is Hertsmere Leisure Trust contract which started in November 2009 for 15 years with a five year extension option. The current annual cost of this contract for 2016/17 is approximately £275k. Bletchley Leisure Centre is the main site
- 2.2 The 1Life contract consists of two lots. Lot One comprises of Woughton Leisure Centre, Woughton-on-the-Green and Windmill Hill Golf Course which and will generate an annual income to MKC currently £226k. Lot two includes Broughton Pavilion and Brooklands Pavilion, the current annual cost of lot two is £30k. The contract commenced on the 1st March 2016 for 10 years with provision for an extension of up to 5 years at the discretion of the Council.

3 AUDIT OPINION – GOOD

- 3.1 Customer satisfaction feedback collected by Hertsmere demonstrates that good leisure services are being provided. Milton Keynes Council should continue to robustly manage the contract to ensure good service provision is maintained. This will include checking the integrity of performance data supplied by Hertsmere, as per the [Management Action Plan \(Page 4\)](#).

4 AUDIT OBJECTIVES AND AUDIT SCORE




Key:  = poor/weak,  = some improvement required,  = good: no /very minor improvement is required

Key Performance Indicators (KPIs) are fit for purpose to deliver the required service and contract conditions are adhered to.

This objective has been met:

KPIs were reviewed and updated in 2012. There is no evidence that these were formally agreed with Hertsmere but there are meeting minutes that suggest revised KPIs had been agreed (although the actual KPIs are not detailed). The service has confirmed that the contractors IT software was upgraded and personalised in order for it to be able to produce the exact data requested by MKC. The KPIs were set to support decisions made by the C&LF Senior Management Team and contribute to Council's Social, Corporate and Health objectives.

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<p>It is anticipated that the KPIs will be reviewed over the next year to further improve their value. The service has been advised to ensure there is evidence of agreement of these by both parties.</p> <p>Both quantitative and qualitative data is reported on. The quantitative data focuses on usage and annual customer satisfaction surveys are undertaken.</p>	
<p>Performance information is checked for integrity and monitored regularly to ensure targets are achieved with action taken as appropriate.</p> <p>This objective has been partially met:</p> <p>Performance data is provided on a quarterly basis (with the exception of customer satisfaction, as already reported above). In addition, forward plans/strategies submitted are on an annual basis.</p> <p>Data is reviewed upon receipt for reasonableness (compared to previous months) and to ensure it is in line with expectations and that it supports what has been conveyed at meetings.</p> <p>Meetings between the client and contractor are held on a monthly basis and are minuted. The service confirms there is also regular correspondence on a daily basis through telephone and e-mail contact.</p> <p>The quantitative data comes directly from the contractor’s IT system but breakdowns of the figures are not provided, meaning the service cannot verify the accuracy of the KPIs reported. See Management Action Plan 1.</p>	
<p>Concerns and issues are raised with the contractor and actions agreed as necessary.</p> <p>This objective has been met.</p> <p>There is evidence that regular meetings are scheduled and take place. This provides an opportunity for concerns and issues to be raised. The service has confirmed there are no issues regarding underperformance; this being supported by the meeting minutes reviewed.</p>	
<p>Payments made to the contractor are authorised, accurate, recorded correctly and budgets are monitored and managed effectively</p> <p>This objective has been met:</p> <p>Purchase Orders for the management fees have been approved in accordance with the Council’s Scheme of Delegation.</p> <p>The monthly management fees are increased annually, in line with RPI, as confirmed through testing.</p> <p>There has been some realignment of spend across the budgets, so effectively they have been managed as a combined budget. The £24k underspend (against a £1.24m budget) was highlighted and reported</p>	

appropriately.	
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MANAGEMENT ACTION PLAN

The Agreed Actions are categorised on the following basis:

Likelihood	H	S	I	E	Essential	-	Action is imperative to ensure that the objectives for the area under review are met.
	M	S	I	E	Important	-	Requires action to avoid exposure to significant risks in achieving objectives for the area under review.
	L	S	I		Standard	-	Action recommended to enhance control or improve operational efficiency.
		L	M	H			Impact

Ref.	Findings	Risk/ Implication	Agreed Action	Management Comments	Manager Responsible & Target Date
1.	KPIs – Data Integrity Although data comes directly from an IT system it is not verified for integrity.	Poor performance	Important Data will be spot checked periodically (small sample, minimum 6 monthly) to confirm the integrity of the information. i.e. request a system output for a chosen KPI(s) and month(s) and check it agrees to the figure(s) reported. Evidence of checks will be retained.	Agreed.	Leisure & Community Officer <i>30th November 2016</i>

Milton Keynes Council
LEISURE & COMMUNITY FACILITIES – CONTRACT
MANAGEMENT – E240/17

Final Report

Distribution List

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