

Committee(s): Port Health and Environmental Services – For information	Date(s): 21072019
Subject: Cleansing Contract Key Performance Indicators and Contract Management	Public
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Summary

This report informs members of the Key Performance Indicators (KPIs) which will be used to monitor, manage and drive continuous improvement in the new Waste Collection, Street Cleansing and Ancillary Services contract.

The KPIs used focus on key areas of the contract which, if achieved will ensure the successful delivery of the service in line with the City's ambitions for a high performing contract. The KPI suite includes several KPIs which utilise a graduated scale of financial deductions which aim to incentivise performance and standards.

The report details the full list of KPIs and associated maximum financial deductions (Appendix 1) and a further explanation of each KPI (Appendix 2) along with the general principals behind their development and application.

Recommendation(s)

Members are asked to:

- Note the report

Main Report

Background

1. On the 8 November 2018 this committee approved the award of the Waste Collection, Street Cleansing and Ancillary Services contract to Veolia ES (UK) Ltd (VES) for a period of eight years commencing 6 April 2019. This followed an approximately six-month early termination of the previous contract by Amey plc (Amey).
2. In order to effectively monitor the contract performance officers identified a suite of Key Performance Indicators (KPIs) which would ensure the successful delivery of the contract to the standards specified by the CoL.

3. The previous contract operated on a similar suite of KPIs which operated on a simple pass/fail basis for financial deductions. This had the unintended effect of disincentivising performance in month once a KPI had been failed. For example, if a KPI was failed on the 5th of June the City then had no effective method of incentivising performance for the remaining 25 days of the month.
4. In order to rectify this Cleansing Officers worked with the Corporate Procurement and the Commercial Contract Management team to develop a suite of KPIs that learnt from previous contract experience and worked on the principle of graduated penalties, the value of which increase dependent upon the extent of the KPI failure. This is intended to ensure that standards are maintained, and the contractor incentivised to improve any substandard performance.

Current Position

5. The ambition is that this contract will be approached on a partnership basis. However, to be successful close client monitoring will be essential. There will therefore be weekly client/contractor meetings to review performance followed by monthly meetings chaired by the Assistant Director of Cleansing. These meetings will be informed by a comprehensive set of performance data produced through the VES 'Echo' system. This will include contract performance (such as standards of cleanliness and the level of complaints) as well as health and safety, and productivity data.
6. Whilst a comprehensive set of live performance data is now available the contract will primarily be driven through performance of a suite of eleven agreed KPIs. These KPIs are due to be agreed and signed off at the first Partnership Board Meeting in July. They will then be monitored without deductions until October 2019, at which point the financial deductions for underperformance will take effect.
7. The first seven KPIs have been chosen as they provide a good measure of overall contract performance and can be accurately monitored through a live contract management system, the figures presented can be monitored and converted into financial deductions.
8. In addition to the seven payment related KPIs there are two strategic performance related KPIs, the first relates to Veolia's performance in delivering an agreed Annual Improvement Plan, the second relates to VES performance against an Action and Issues log which will be used to track all agreed actions from weekly, monthly and quarterly meetings. These KPIs (ten & eleven) have been introduced following discussion with the Corporate Procurement Unit as they provide a more strategic assessment of how well the contract is being managed.
9. Whilst these two performance measures have no financial penalty, they do contribute to an overall contract performance score and if rated red for three consecutive months (or 6 months in any rolling year) would leave the contract vulnerable to termination for under performance.

10. There is an additional KPI (KPI eight) which measures the percentage of core scheduled services delivered. This does not carry a financial penalty because there is a separate contractual clause that the City of London will not pay for services which have not been delivered and a financial penalty against this KPI would have led to a double penalty situation. This KPI will however be used to inform deductions for non-delivery and provide an overview of contract performance.
11. The final KPI (KPI nine) is focused upon the level of street cleanliness across the City. It will be delivered (as now) through an independent assessment of the City's street cleanliness by Keep Britain Tidy. This will be done periodically on a rolling programme across the life of the contract. Whilst this KPI has no financial or performance weighting it will be used to track the City's cleanliness and identify areas for improvement.
12. Any decision to make a financial deduction in relation to the seven payment KPIs for under performance will be taken at the regular monthly meetings and ratified at a quarterly Partnership Board meeting, the chairmanship of which will be rotated on a six-monthly basis between the City and VES. The Partnership Board will be attended by senior managers of both VES and the City Corporation's Department of the Built Environment.
13. Of the 7 KPIs which carry financial deductions, each KPI has been weighted by Officers to represent its significance to the overall performance of the contract. Monthly financial deductions are based on a maximum of 10% of the core contract value and can range from £0 - £60,000 per month.
14. Officers can view and access the KPIs through live performance data produced from the data rich systems and processes implemented as part of the contractors offering. For the purposes of reporting and financial deductions the monitoring period will be a calendar month. Each KPI will be periodically audited by client officers to ensure the information being collected and presented is accurate.
15. In addition to this the contract is subject to an annual review and testing against the Corporate Supplier Scorecard by the Commercial Contract Management team (Chamberlains) to evaluate it against a number of metrics including: Performance Management, Commercialism & Innovation, Contract Management Performance, Supplier Relationship Management, Economic & Financial Standing, Health & Safety, Risk Management, Environmental Protection, Social Value and Ethical Sourcing.
16. To enable new working methods to become embedded and IT systems to be integrated a phased approach to setting up and monitoring the KPIs has been taken. During this time City Officers have been working closely with the Contractor to mobilise services and maintain standards. Currently 9 out of the 11 KPIs are live but for the first 6 months of the contract officers are not making financial deductions to enable testing and ensure that the KPIs do effectively drive service performance. It is anticipated the remaining 2 KPIs will be live on schedule for October.

Corporate & Strategic Implications

17. This contract is an integral part of delivering outcomes eleven and twelve of the Corporate Plan, ensuring “We have clean air, land and water and a thriving and sustainable natural environment” and that “Our spaces are secure, resilient and well maintained.”
18. The effective delivery of this contract is essential if the City Corporation is to provide a clean and safe public realm and thereby help promote the City of London and ensure that “we are a global hub for innovation in finance and professional services, commerce and culture.”

Implications

19. If there are any financial deductions and therefore a reduction in monthly payments to VES, it is likely that these monies would be utilised to ensure that the service is still being delivered to acceptable standards. It is not anticipated therefore that there would be any overall reduction in budgets as a result of performance deductions.

Conclusion

20. The contract mobilisation is progressing well during this time client officers have been scrutinising service delivery and working with VES to fine tune the service so as to maximise performance.
21. The KPIs will be monitored prior to going live in October to ensure that they are effective in monitoring key areas of the service to help drive standards and service delivery.

Appendices

- Appendix 1 – KPI Suite and associated financial deductions
- Appendix 2 – Further explanation of KPIs

Background Papers

Waste Collection, Street Cleansing and Ancillary Services Contract Final Recommendation – Port Health and Environmental Services Committee – 08/11/2019

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Appendix 1 – KPI Suite and associated financial deductions

	Performance Measure	Target Achieved	Minor Issue	Moderate Issue	Significant Issue	Financial Weighting %
1	Service Defects Issued	less than 76	76-100	101-150	151+	10
2	No. of Serious Performance Failure	0			1+	20
3	Satisfactory amount of Mechanical sweeping "Brushes down" time	TBC	TBC	TBC	TBC	10
4	Percentage of ad hoc service requests completed on time	97%	95.1-96.9%	93.1-95%	93% or less	10
5	Measure of Street Cleanliness No of streets which do not meet CoL standard	4	5 to 7	8 to 9	10 or over	25
6	Number of complaints received	less than 4	4 to 5	6 to 8	9 and over	10
7	Big Belly Bins emptied at agreed levels	95% and over emptied 2hrs from 80%	93 to 94.9% emptied 2hrs from 80%	90 to 92.9% emptied 2hrs from 80%	under 90% emptied 2hrs from 80%	15
8	Percentage of scheduled work completed	98% or above	94%-97.9%	90% - 93.9%	lower than 90%	0
9	Keep Britain Tidy score	less than or equal to 3%	3.1-4%	4.1-5%	5.1% and over	0
10	Achievements against milestones Annual Improvement Plan or other Key Management Documents	All milestones on track	Minor slippage on some milestones	Moderate slippage on some milestones	Major slippage on majority of milestones	0
11	Performance against Contract Issues and Action Log	Score less than 10	Score between 11 - 24	Score between 25 - 50	Score more than 50	0

Appendix 2 – Further explanation of KPIs

Appendix 1 – Key Performance Indicators

The following are Key Performance Indicators which will be signed of at the July QPB

1 Service Defects Issued

Service defects are issued against items of service failure e.g. failure to collect refuse to schedule or failure to clean to service standards.

2 Number of Serious Performance Failures

A serious performance failure would be defined as a material breach of the terms of contract, serious endemic failure, fraudulent reporting or a failure to have in place agreed health and safety procedures. This would be defined as serious using the City Corporation's Risk Matrix.

3 Satisfactory Mechanical Sweeping – “Brushes down” time

The time that mechanical sweepers are brushes are recorded as down and sweeping against the required time for the scheduled sweep.

4 Percentage of Ad Hoc Service Requests Completed on time

Ad hoc work requested as requested by City officers (which does not require a diversion of resources) and completed within agreed timescales as laid out in the Contract Manual. Monitored through the contractor's work scheduling software which is available for The City to view and interrogate.

5 Measure of Street Cleanliness

Cleanliness is to be measured through joint inspections by the Contractor and the City Corporation. This will ordinarily involve no less than 100 surveys a month over the 7-day working period. The measure will monitor the quality of all manual barrow beat sweeps. Grading will be in line with Keep Britain Tidy's Local Environmental Quality Methodology and will survey the most recently swept transect completed by the sweeper. Scoring will be assessed against an enhanced grade A standard as defined in the specification and will be a percentage score based on a pass/fail basis.

6 Number of complaints received

Complaints will have originated from either a member of the public, a business or an elected Member and, following investigation, upheld as justifiable by client officers.

7 Big Belly Solar Bins emptied at agreed levels

Bins will be required to be emptied within two hours from the moment the contractor receives an alert notification indicating that it requires emptying.

8 Percentage of Core Scheduled Work Completed

Core services will be monitored to ensure they are completed in line with agreed schedules.

9 Keep Britain Tidy (KBT) LEQ Score

Independent LEQ scores from Keep Britain Tidy will be monitored but do not count financially or against the contract risk score. However, the Contractor will be expected to utilise results of these reports to feed into the Annual Improvement Plan.

10 Achievements against milestones in the Annual Improvement Plan

The Annual Improvement Plan is a forward-looking plan to improve performance of the contract and realise efficiencies. Each objective within the plan will have associated key milestones to ensure that improvements are delivered. These milestones will be those determined to be deliverable and agreed at the Quarterly Partnership Board, and they will be tracked in Monthly meetings. It is not intended that this process stifles innovation and The City appreciates that to innovate and improve some projects may ultimately fail, the purpose of this KPI is to ensure that objectives can be tracked and progressed.

11 Performance against Local Risk Register

There will be a weekly contract meeting chaired by the City in which contract performance and risk issues may be identified. Any of these issues not resolved by the next Monthly meeting will be included on the Contract Performance and Risk Register along with agreed timeline for delivery.