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| Committee(s) | Dated: |
| Port Health and Environmental Services Committee | 24 January 2017 |
| Subject: Street Cleansing, Refuse Collection and Ancillary Service Contract Update | Public |
| Report of: Director of the Built Environment | For Information |
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Summary

This report considers the recent performance of Amey plc the City Corporation's Street Cleansing, Refuse Collection and Ancillary Services contractor. It details a number of service failures the majority of which stem from a change in the Amey contract management team. The report also sets out measures being taken to return the contract performance to a satisfactory standard and the actions taken by City officers to support delivery of the contract during this period to minimise the effect on street standards.

Recommendation

Members are asked to:

- Note the report.

Main Report

Background

1. The Refuse Collection, Street Cleansing and Ancillary Services Contract was awarded to Enterprise Managed Services Ltd (EMS) for eight years from October 2011. The contract introduced both service improvements and efficiencies and as a result, delivered varied but significant savings of up to £1.1m per annum over the life of the contract.
2. From 2011 to 2016 the contract delivered well, consistently achieving its Key Performance Indicators along with independent inspections by Keep Britain Tidy indicating a general improvement in cleaning standards. Indeed in 2015 the City Corporation was awarded the Chartered Institute of Waste Management's Cleanest City' award.
3. In April 2013 EMS was acquired by Amey (part of Ferrovial SC) without any immediate direct effect on the contract. Amey appointed a new Regional Account Director responsible for the City's contract in April 2016 After an initial handover period the City was informed that Amey were planning to change and merge the contract management of their South East contracts in a cost saving exercise.

This was strenuously rejected by Officers and Amey did not proceed with these plans for the City. However, as part of this process the City's local Contract Manager took voluntary redundancy in August 2016 and two Operation Managers resigned to take new roles elsewhere shortly afterwards.

4. These changes have resulted in a period of instability which has been reflected in a failure to achieve the KPI requirement of 11 out of 12 contract KPIs since May 2016. These failures have led to the Performance Deduction Mechanism set out in the contract being triggered since May resulting in significant payment deductions being made. This position is ongoing and further details of these deductions are detailed in the Implications section below.

Current Position

5. Amey appointed a new Contract Manager in September 2016 without a significant period of handover from the previous Contract or Operations Managers. One Operations Manager was recruited in October and another joined in December. Whilst there had been some performance issues before August (see Appendix A, KPI results for 2016) it was at this point that the significant failure of the KPIs commenced.

For a two month period (August and September) there were service quality issues with insufficient inspections carried out and cleaning standards not consistently reaching the enhanced grade A standard required by the City. Other months saw KPI failures in relation to management issues, such as failure to provide all the staff required, failure to provide accurate contract reports or complete and inspect scheduled work to the required standard.

6. City Cleansing Officers have worked with Amey's new management team to re-explain what is required of the contract, how the KPIs are measured and how the whole reporting processes work. Officers also instructed that a Recovery Action Plan be drawn up by Amey to detail the issues they saw with the contract, explain how these would be addressed and how the resolution of these issues would be monitored and measured.
7. Officers have also stepped in to provide on the ground assistance and expertise at managing the clear up operations after major City events, such as the Great Fire 350 celebrations, the Lord Mayors Show and the New Year's Eve fireworks display. Considerable time has also been spent by City Officer's ensuring that the Winter Maintenance Plan, in case of snow, was prepared and checked and have been involved in resolving issues regarding waste collection failures at estates and schools.
8. During this period our NI195 KPI (measuring the amount of land with unacceptable level of litter, detritus, fly tipping and graffiti), which is independently monitored by Keep Britain Tidy, continued to achieve well above the target when last measured in October, with only 0.76% of all 300 areas surveyed failing to meet the required standards of cleanliness. Therefore, this year's overall result remains on track to achieve the target (currently projected to be 0.61%), and Officers have worked hard to insure that, in spite of the issues with the contractor,

this year the outcome performance will only be slightly worse than last year's overall result of 0.21%.

9. It should be noted that whilst the street cleansing and waste collection elements of the contract are not reaching the required standard, the workshop, police vehicle servicing and other ancillary services provided as part of the overall contract are performing satisfactorily.
10. These service issues come at a pivotal point in the contract's lifetime as Officers are about to commence on work to evaluate whether the extension period of the contract following the initial eight years should be offered to Amey. This decision must be made by December 2017 and will be reported to your committee for decision later this calendar year..

Proposals

11. Officers will continue to regularly meet with Amey to provide the guidance, assistance and support required to ensure the contract performance returns to satisfactory as soon as possible. These meetings will be held at all levels of management, including meeting between the Director of Transportation and Public Realm and Amey's Senior Directors to ensure that all levels of the contract are working towards a positive outcome and providing all the support necessary to achieve this. A further senior level review is to be carried out to establish how a return to good performance can be accelerated.

Corporate & Strategic Implications

12. This contract is an integral part of delivering the City's strategic aim to create high quality public realm that attracts and responds to new development, enhances the historic environment and is enjoyable to experience.
13. This effective delivery of this contract is essential in delivering an attractive inclusive and safe public realm and making the City an even more sustainable place in the future.

Implications

14. Amey has paid the City £120,000 through performance deductions up to November 2016. The KPIs for December have yet to be certified, however it looks likely that they will have failed to reach the required standard (though it should be noted that there is a trend of improvement from previous months). If this is found to be the case then this will bring total deductions this financial year to £144,000 by December 2016.
15. Assuming that the KPIs improve from January and the requirements are met, due to the ratchet mechanism, the deductions would still be made in decreasing increments. This would result in a total deduction for the financial year of £193,000. If performance does not improve the year end total deduction figure would be £218,000. See Appendix B for exact details.

16. The local risk budget will, as a consequence of these deductions, be underspent by the amounts detailed above and this is reflected in the Chamberlain's current projected year end outturn.
17. Officers have ensured that the City is still meeting its legal requirements under the Environmental Protection Act 1974 to ensure that roads, highways and public spaces are kept free from litter (s.89).

Conclusion

Officers are hopeful that the situation will be turned around quickly as a result of the agreed remediation plan and will continue to closely monitor the contract and provide guidance, assistance and support to Amey where needed.

Appendices

- Appendix A – Contract KPI results since October 2015
- Appendix B – Non - public

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Appendix A – KPI results 2016

| Refuse Collection and Street Cleansing KPIs | Targ | Jan-16 | Feb-16 | Mar-16 | Apr-16 | May-16 | Jun-16 | Jul-16 | Aug-16 | Sep-16 | Oct-16 | Nov-16 |
|---|-------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Percentage of streets meeting the enhanced Grade A Standard, including removal of all accessible minor graffiti, when inspected within 15 minutes of the nominated daily clean. | 98% | 98.3% | 98.% | 98% | 98% | 98.3% | 99.6% | 98.5% | 97.3% | 97.7% | 100% | 98.8% |
| Number of random inspections recorded per week, within agreed limits for services/days/shifts and a total of at least 800 per month. | 800 | 801 | 811 | 800 | 803 | 801 | 807 | 633 | 1110 | 357 | 845 | 940 |
| Percentage of independent verification inspections (initially 80 per month) that confirm the results of contractor inspections. | 97% | 97% | 99% | 97.9% | 100% | 100% | 97.8% | 92.8% | 90.6% | N/R | 98.3% | 100% |
| Percentage of urgent service requests that are attended with the required time limit. | 98% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| Percentage of complaints that are second or subsequent complaints (defined to exclude both duplicate complaints and at the other extreme those more than six months apart). | 5% | 0% | 0% | 0% | 7.6% | 25% | 20% | 50% | 47% | 46% | 52.5% | 48% |
| The number of inspections that do not match with the eyes and ears feedback received. | 4 | 1 | 1 | 2 | 1 | 0 | 1 | 2 | N/R | N/R | 2 | 4 |
| Percentage of mechanical sweepers meeting 3.5 hour productivity rate. | 100% | 100% | 100% | 100% | 100% | 100% | 100% | N/R | N/R | N/R | 50% | 55% |
| Number of defaults issued in the month (target zero). | 0 | 2 Fail | 1 Fail | 0 | 0 | 3 Fail | 1 Fail | 0 | 13 Fail | 0 | 9 Fail | 16 Fail |
| Number of failures to complete scheduled work, allowing if necessary for agreed contingency arrangements contained within the method statements. | 0 | 0 | 0 | 0 | 0 | 2 Fail | 0 | 0 | 4 Fail | 3 Fail | 8 Fail | 10 Fail |
| Number of changes to working methods implemented without prior agreement or in an emergency, agreed within two hours. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Percentage of Big Belly Bins emptied within 3 hours of the agreed colour alert. | 90% | 93.4% | 97.9% | 96.1% | 96% | 94% | 95.8% | 90.3% | 80.4% Fail | 82.8% Fail | 79% Fail | 79% Fail |
| Number of pavement collection points found to have bags not collected when the embargo starts. | 5 | 0 | 0 | 2 | 1 | 3 | 3 | 3 | 3 | 2 | 1 | 3 |
| Total Passed | | 11 | 11 | 12 | 11 | 9 | 10 | 8 | 4 | 4 | 7 | 7 |

