



Environmental Management Services
Contract Review for Northampton Borough
Council

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Contents

| | |
|---|----|
| Executive Summary | 5 |
| 1. Introduction..... | 7 |
| 1.1 Setting the Scene | 7 |
| 1.2 Project Scope | 7 |
| 2. Contract Rationale..... | 8 |
| 2.1 Justification for the Contract | 8 |
| 2.2 Financial Context..... | 9 |
| 3. Contract Requirements, Management & Delivery..... | 10 |
| 3.1 Contractual Details & Requirements | 10 |
| 3.2 Current Management of the Contract..... | 11 |
| 3.2.1 Enterprise | 11 |
| 3.2.2 NBC | 11 |
| 3.2.3 Interaction between NBC and Enterprise..... | 12 |
| 3.3 Monitoring of the Contract..... | 12 |
| 4. Contract Evaluation | 13 |
| 4.1 Contract Content | 13 |
| 4.1.1 Clarity of Content | 13 |
| 4.1.2 Suitability and Appropriateness of Contract Documentation | 13 |
| 4.2 Contract Performance..... | 16 |
| 4.2.1 Achievement against the KPIs | 16 |
| 4.2.2 Financial Performance..... | 16 |
| 5. Key Issues | 17 |
| 5.1 Performance Failures..... | 17 |
| 5.2 Data and Reporting Systems..... | 19 |
| 5.2.1 Data Errors and Anomalies | 19 |
| 5.2.2 Non reporting of some KPIs..... | 20 |

| | | |
|------------------------|--|----|
| 5.3 | Clarity of Contract..... | 20 |
| 5.3.1 | Definitions | 20 |
| 5.3.2 | Ambiguities..... | 20 |
| 5.4 | Contention over the Baseline data | 20 |
| 5.5 | Fulfilment of Contract Requirements | 21 |
| 5.5.1 | Awareness of contractual requirements..... | 21 |
| 5.5.2 | Lack of appropriate documentation..... | 21 |
| 6. | Conclusions & Recommendations..... | 21 |
| 6.1 | Concluding Comments..... | 21 |
| 6.2 | Key Recommendations | 22 |
| Appendix 1: | Interviews and Communication | 25 |
| Glossary of Terms..... | | 26 |

Executive Summary

Northampton Borough Council (NBC) manages a single outcome based contract for environmental services across the authority. The contract represents a strategic partnership between NBC, Daventry District Council (DDC) and Enterprise Managed Services Ltd (EMS) and includes the provision of waste and recyclate collections, street cleansing, maintenance of public open spaces/parks, public conveniences, allotments and cemeteries. The decision to outsource the contract was based on sound financial judgement and required a high level of service delivery by the Contractor.

Just over one year into the contract term Beasley Associates have been commissioned by NBC to undertake a detailed review of the contract; it should be noted that although it is a joint contract with Daventry District Council, the focus of this review is Northampton only¹.

The review takes into consideration the original justification for the contract, identifying the financial context within which the decision to outsource was taken. It considers the contract requirements, management and delivery and identifies the monitoring systems in place.

A detailed evaluation explores the contract content, identifying any weaknesses and also the suitability and appropriateness of supporting contract documentation. The performance of the contract to date is evaluated against the performance targets set out in the contract.

The findings identify a number of achievements of the contract, for example the significant savings made by NBC within the first year of operation. The contract is also on schedule to achieve the predicted year two savings. In addition the service has expanded with food waste collection now included for all households and the range and frequency of recyclate collection has increased. The monitoring data shows that performance of the contract against a number of KPIs has been good and within target.

However the review has also identified a number of key issues which require management to ensure the long term success of the service, specifically:

- Performance failures of the contract against a number of KPIs, specifically the problems experienced with the number of missed bin collections;
- The need to further improve the robustness of current data and reporting systems;
- Ambiguities within the contract and issues in relation to clarity and interpretation;
- Incomplete fulfilment of Contract requirements and gaps in supporting strategic and management documentation

Focusing on the areas that require resolution the review concludes that, although the performance of EMS has been good in relation to some aspects of the service, they are

¹ Daventry is conducting its own internal review of the contract via its scrutiny committee

currently still underperforming in a number of areas as demonstrated in their performance data. In addition they have not satisfied all contractual requirements.

There have also been some issues with NBC's management of the contract arising from the need to 'fire fight' in the face of poor performance by EMS, leading to some lack of focus on strategies and documentation. This has however been recognised by the Partnership Unit and the staff associated with the contract, and measures have already been initiated to address this.

In conclusion, NBC needs to continue to ensure that EMS is held to account in relation to all aspects of the contract and the contract team within NBC needs to be fully empowered and supported to use the tools available to drive delivery. There is evidence that the need to do this is recognised by NBC and good foundations have been put in place, which need to be built upon. The Partnership Unit need to ensure all requirements of the contract are scrutinised in the appropriate detail and are being rigorously adhered to at all times.

In terms of moving forward a number of key recommendations have been proposed, including:

- Review the Contract Management within NBC;
- Further develop the data validation system;
- Develop a Contract Protocol;
- Prioritise the documentation to be provided by EMS;
- Reinforce performance measurement systems for all agreed KPIs; and,
- Review training needs within NBC.

1. Introduction

1.1 Setting the Scene

Northampton Borough Council (NBC) manages a single outcome based contract for environmental services across the authority. The contract represents a strategic partnership between NBC, Daventry District Council (DDC) and Enterprise Managed Services Ltd (EMS) and includes the provision of waste and recycle collections, street cleansing, maintenance of public open spaces/parks, public conveniences, allotments and cemeteries. Having previously operated an in-house service, the decision to award the contract to EMS was made in April 2012 and the contract commenced on 4th June 2011. The initial term of the contract is for seven years with the option to review and extend for a further seven years.

Just over one year into the contract term Beasley Associates have been commissioned by NBC to undertake a detailed review of the contract; it should be noted that although it is a joint contract with Daventry District Council, the focus of this review is Northampton only².

1.2 Project Scope

The purpose of the review is to evaluate how effectively the contract is operating and to make recommendations for moving forward. It should be noted that at the point of commissioning the review a number of issues have been experienced with the performance of the contract (discussed further in Section 5), however the scope of the review is to independently consider all aspects of the contract and includes:

- The justification and realisable benefits of the contractual arrangements;
- An assessment of the actual financial benefits against those anticipated;
- An assessment of the financial envelope used in the contract negotiations and a comparison between the services implicitly included in the financial envelope and the services actually supplied through the contract;
- An assessment of the status and effectiveness of the contract ;
- The adequacy of the monitoring arrangements ;
- An assessment of the collation of performance data, the processes in the contract team for checking the data, and a comparison to the contractually prescribed performance;
- The performance of the contractor against contractual commitments;
- Robustness, adequacy and satisfaction of services provided including an assessment of customer contacts;
- An assessment of staff and equipment used on the contract against that specified in the contract;
- The sustainability and any current weaknesses of the contract.

² Daventry is conducting its own internal review of the contract via its scrutiny committee

2. Contract Rationale

2.1 Justification for the Contract

The decision by NBC to outsource environmental services originated with a decision in July 2009 by the Cabinet to market test the council's waste, grounds and street care services. It was also decided to conduct the resultant procurement in partnership with DDC.

The rationale for this major change in the councils' service provision and outsourcing in partnership with DDC was based on the following³:

- Recognition that the council faced major challenges in terms of financial sustainability of existing and future service levels especially in relation to requirements from regional, national and European level;
- Recognition of the sea change in the waste industry coming from the implementation of policy and fiscal measures to drive waste from landfill including Landfill Tax increases, LATS, targets for recycling and composting and the climate change agenda;
- Recognition of the implications for waste management services of the identified need in the NJMWMS for service response to the significant housing growth planned for Northampton over the next 14 years;
- Recognition of the need to ensure that the council's plans for waste management were fully aligned with the environmental objectives and targets set out in the NJMWMS and that the correct infrastructure was in place; and,
- An overall purpose of ensuring that the most effective and efficient delivery model was established in relation to the specific operating environment of NBC to ensure delivery of environmental and waste objectives and in response to the needs of all of NBC's diverse communities.

In addition to this business case rationale, it was also acknowledged that there are likely to be commercial advantages for private sector service providers compared to the public sector, specifically through the following⁴:

- Economies of scale;
- More advantageous supply chains;
- Greater buying and selling power;
- Ability to encourage investment;
- Flexibility to grow business; and,
- Access to additional capital.

On this basis, the project to procure the new service from an external provider was expected to produce a number of key project outcomes (Table 1).

³ NBC Cabinet, Report of Overview and Scrutiny Committee – Pre-Scrutiny of Environmental Services Procurement, 19th January 2011 – Appendix 5a, summary of business case

⁴ NBC Cabinet, Report - Procurement of Environmental Services with Daventry DC, 9th February 2011, para 3.1.8

Table 1: Anticipated Project Outcomes

| | |
|-----------------------------|---|
| Key Project Outcomes | Generation of cashable savings to the authority |
| | Addressing of financial pressures faced by the authority, whilst improving service delivery |
| | Ensuring the service is fit for purpose and conforms to legal requirements |
| | Addressing the concerns raised by the audit commission in the inspection of Environmental Services in both councils |
| | Increase recycling in line with or above the targets set out in the NJMWS |
| | Reduce waste taken to landfill in line with or below the NJMWS targets |
| | Clean streets in line with targets set against the National Indicator 195 |
| | Minimisation of the carbon footprint from both Authorities' Environmental Services operations |
| | Deliver high levels of public satisfaction with parks and open spaces. |

2.2 Financial Context

NBC identified anticipated Year One savings of £[REDACTED]⁵. This was for the part-year based on the contract starting two months into the new financial year. The full year estimate for savings compared to a 2011/12 continuation budget for NBC was £[REDACTED] based on NBC's share of the new contract costing £[REDACTED] in Year One.

The final financial data appended within the Contract shows a Year One total contract price of £[REDACTED] (for both Authorities). Based on an apportionment of 74.6% of costs to NBC, this represents a share to NBC of £[REDACTED].

In terms of the financial envelope used in contract negotiations in the Pre-Scrutiny Report of 19th January 2011, it is noted that the following services were included in the scope of the procurement project:

- Waste management (including commercial waste at DDC);
- Environmental cleansing;
- Grounds maintenance; and,
- Relevant fleet and machinery.

Excluded were:

- Environmental protection;
- Parks and open spaces strategy; and,
- Food waste.

The Financial Template F3 (Appendix 12 of the Contract) breaks down by service the total contract cost of £[REDACTED] in Year One (Table 2).

⁵ NBC Cabinet, Report - Procurement of Environmental Services with Daventry DC, 9th February 2011, para 4.3.8 to 4.3.10

Table 2: Cost of the Service

| Category | £ |
|--|------------|
| SOMS1 – Street Scene Waste Management (residual; recycling and reuse; commercial; hazardous) | ██████████ |
| SOMS2 – Environmental Cleansing (street sweeping; litter; toilets; flytipping) | ██████████ |
| SOMS3 – Street Scene Open Spaces (grounds maintenance; cemeteries; parks; trees; allotments) | ██████████ |
| Non attributable (various overheads, insurance, contract management etc) | ██████████ |
| TOTAL | ██████████ |

Food waste was excluded from this contract price schedule (from Financial Template FT1 to FT10 inclusive). FT11 prices separately the provision of a food waste service, which adds a net cost of £██████████ to the Year One⁶ contract price and a total of £██████████ to the total contract price over seven years.

Overall it was anticipated that savings in Year One directly arising from the contract would be of the order of £██████████ - £██████████. There were also other substantial savings indirectly arising from the contract. The financial case for the contract was therefore extremely strong.

3. Contract Requirements, Management & Delivery

3.1 Contractual Details & Requirements

The contract with EMS is an output specification, entirely outcome focused and target orientated, driven as defined through the Performance Mechanism and the Contract. The specification requires the regular, reliable and effective collection of residual waste (including a weekly collection from those properties with black sacks), garden waste and recycle, and to introduce a food waste collection service across the borough. It requires a comprehensive street sweeping and litter picking service, and a regular, reliable and effective fly tipping, flyposting and graffiti service. It requires open space management which enhances the appearance of the local environment and provides a high quality Green Space and management of all parks and trees within the boundaries of the borough. In addition it requires effective management of toilets, allotments, cemeteries. High levels of public satisfaction are expected across the service.

The Contract sets out the legal requirements and is supported by a number of annex documents including a series of Service Outputs/Method Statements (SOMS) which provide the management and delivery detail of the contract with the day to day delivery of the

⁶ A part year commencing 3.10.11 ending 3.6.13 and then aligning to the contract year renewal at 3rd June

street scene service identified in SOMS 1-3, infrastructure contained within SOMS 4, service development within SOMS 5 and finally business continuity as the focus of SOMS 6. These series of statements cover the service objectives, standards, monitoring and performance. Within the SOMS is a commitment by the Contractor to produce an Annual Business Plan for the service.

Within the Contract itself a number of strategic, management and delivery documents have been identified to be produced by the Contractor; these are discussed further in Section 4.1.2.

Finally it should be noted that although commercial waste is included within the contract (and EMS are very active in Daventry in terms of commercial waste collection) there is still just over a year to run of an exclusivity agreement signed by NBC with Veolia following from the sale of the local authority commercial waste collection service.

3.2 Current Management of the Contract

3.2.1 Enterprise

The present management structure within EMS consists of a Partnership Director, supported by three Managers, namely: Streetscene Manager, Parks and Open Spaces Manager, and Facility and Transport Manager. Initially there was also a Collections Manager providing support to the Partnership Director, however following an internal reorganisation in April 2012 responsibility for collection now falls within the remit of the Partnership Director. Enterprise are presently conducting an internal consultation as to where responsibility for collection should sit in the future. Sitting below this tier of management is a raft of Managers and Supervisors, supported by Lead Charge Hands and Round Coordinators, underpinned by 360 operatives across the service.

Administrative support is provided by an Office Manager leading an administrative team of 4.5 personnel (responsible for both Daventry and Northampton) who manage the customer complaints, queries and issues in addition to wider administrative duties.

In total there are currently ■ staff and ■ operatives working on delivering the contract; of the Operatives ■ are currently Agency staff⁷.

3.2.2 NBC

Within NBC there is a Partnership Unit which basically consists of a Contract Manager supported by a Performance and Business Support Officer.

The Contract Manager is responsible for the contract management and strategy function with NBC, providing commercial and contractual strategic direction and guidance and establishing and administering a corporate governance approach for contracts. They have a key role in maintaining an effective working relationship with all stakeholders, providing advice in relation to performance of services, preparing reports and recommendations for

⁷ Data provided by Simone Wade during interview on 6th September

consideration and investigation, monitoring and responding to complaints and enquiries on all aspects of the contract.

The Performance and Business Support Officer's role is varied and includes responsibility for processing the performance data, raising invoices and Purchase Orders and liaising with Enterprise on general financial elements, day to day involvement in the management of the complaints that are raised in terms of advising Enterprise and also acting as Complaints Champion for the service.

Since March 2012, NBC has also put in place a Head of Service position to oversee and provide strategic support to the contract management function.

3.2.3 Interaction between NBC and Enterprise

Monthly meetings are held between the Partnership Director (EMS) and the Contract Manager (NBC). In addition informal meetings are held on an *ad hoc* basis between personnel within EMS and the Contract Manager; a good relationship has been built upon between these personnel which have resulted in a positive approach to engagement whenever required.

Quarterly meetings are held with the Partnership Board who provide senior level guidance, leadership and strategy for the management of the Contract and whose role includes to: receive and review the Annual Contract Review (prepared by the Contractor); determine business strategy and provide guidance on policy matters which may impact on the implementation of the Services; consider and resolve Disputes escalated to the Partnership Board.

3.3 Monitoring of the Contract

As the contract is outcome based rather than prescriptive in terms of service operation an essential element of managing the contract is the use of KPI's. These are clearly set out in the Contract (Annex 10, Part 6). The KPIs include those requiring monthly, quarterly, four monthly and annual monitoring. In addition the performance standards, performance targets and methods for monitoring performance are set out in the Service Outputs/Method Statements documents (SOMS1 – 6).

It is the responsibility of EMS to collate the necessary data in relation to the service and to ensure this is forwarded to NBC. In terms of customer complaints and queries, all calls and emails in relation to the environmental service are received by a team within NBC who log the issue on the council system 'Lagan'. This information is then transferred to Enterprise in real time. For most issues there is a 10 day turnaround time for EMS to deal with the content of the call or email. In addition to their entry on Lagan missed bins are also recorded on a separate spreadsheet which is emailed over to EMS immediately in an effort to ensure timely resolution (within the 24 hour target KPI). NBC keeps an in house record of all contacts and also the number of missed bins. However it should be noted that this data does not always relate to the data issued by EMS; this is discussed further in Section 5.2.1.

4. Contract Evaluation

4.1 Contract Content

4.1.1 Clarity of Content

Whilst the Contract is fairly easy to digest and review it does have a number of weaknesses, as evidenced by the ongoing need for clarity and resolution, particularly in relation to financial aspects of the contract and scope of service. It should be noted that this is further compounded by the absence of a number of key strategic and delivery documents discussed further in Section 4.1.2 below.

It is accepted that all contracts undergo a 'bedding in' process where a number of issues may arise requiring consensus as to their interpretation and application, however after a year of operation there are still areas which the Partnership Unit, the Finance Department and the legal team within NBC are having to address as result of differing opinions arising from NBC, EMS and DDC in contract interpretation. This may be questions over additional payments for services which EMS consider outside the scope of the contract, or disagreements as to how the payment performance mechanism is calculated and applied, or even issues of definition.

The Contract covers all the key 'ingredients' expected to appear in an environmental services contract but the narrative, although wordy does not necessarily provide the detail required in terms of the service procured. Whilst it is accepted that there is not a fundamental problem with the Contract (and it does not account for the performance problems experienced to date), the ambiguities which arise mean that effective contract management within NBC is even more important to ensure that the Contract delivers exactly what is required.

In addition the members of the contract team who primarily developed the contract and worked closely with contractor during the competitive dialogue stage are no longer employed by either NBC or DDC; this makes the supporting contractual documentation all the more important to provide the level of detail required.

4.1.2 Suitability and Appropriateness of Contract Documentation

The Contract consists of the main document supported by a series of annex documents providing additional information; although still useful it should be noted that a number of these annex documents are now out of date and therefore their relevance in some cases is limited.

Within the main Contract various strategic and management documents are identified as forming part of the contractual requirements. However it should be noted that EMS has failed to produce a significant number of these documents to date. NBC must continue to challenge EMS over their absence.

The documents are:

- **Contract Manual** – identified in clause 14 of the Contract, to form part of the contractors quality assurance procedure and to be reviewed at least once a year and

submitted to the Contract Officer no later than one month from each anniversary of the Commencement Date. The manual or series of manuals should have been prepared as part of the Handover Plan and it was the intention that the manual should enable the Staff from Supervisory Staff down to operatives on the street to understand the nature of the Services, the obligations of the Contractor and their own obligations. A copy of the relevant Contract Manual should have been issued in hard copy to each member of Staff on their employment and thereafter annually and it is stated that the Contractor shall take reasonable steps to ensure the Contract Manual is read and understood by those to whom it is issued. It should also be noted that this is reiterated under Staffing (clause 33). The manual has not been produced to date.

- **Resource Audit** – identified in clause 29, to be undertaken in March and September of each year. There is the original tendered Resource Audit attached to the Contract but it is outdated and clearly does not resemble the current level of resources in terms of equipment and personnel. The Resource Audit should contain detail regarding staff, vehicles, contractor equipment and any other materials or plants used in connection with the provision of the service. Without this documentation NBC has no basis against which to verify the resources in use.
- **Annual Contract Review** – identified in clause 30, to be undertaken by the Contractor within two months of the beginning of each Contract Year and should consider: the continued value for money of the requirement for a Bond; an analysis of the Services throughout the previous Contract Year, focussing on those areas which were particularly successful and those areas where the Services might have been improved; an identification in the Contractor's view of the reason for the successes and weaknesses; a comparison of the Services benchmarked against substantially similar services to the Services performed by the Contractor for other local authorities; an action plan setting out the Contractor's suggestion of measures that might be taken by the Contractor. The Contractor should submit the Annual Contract Review to the Contract Officer who should in turn present it to the Partnership Board. To date this review has not been completed.

Supplementary documentation identified in the SOMS, designed to provide supporting evidence in relation to management, delivery and performance, but which have failed to have been produced to date include:

- **Annual Business Plan** – specifically mentioned in all the SOMS1 – 6 documentation, a business plan should have been produced for 2011 and updated in 2012 and should include all aspects of the service including current performance, planned performance and variations to any operations. The plan will also include amended Service Outputs/Method Statements and will include an up to date Performance Management Framework. The contents of the Annual Business Plan are supposed to be agreed at the Partnership Liaison meetings “ensuring that the business plan takes into account the objectives of the Councils for that year and the focus which is being applied to specific services areas or ideas. On this basis measures/milestones and their respective weightings are to be varied from year to year to reflect the Councils priorities”. The

Annual Business Plan is intended to include: financial plan and budgets; human resource plan; service outputs/delivery plan; improvement, innovation, sustainability and investment plan; and, communication plan.

- **Records of Crew Audits** – identified in SOMS 1 and 2 as part of the performance audit to ensure that the crews are delivering the right level of service and to enable repeat patterns to be identified. The idea is that this process ensures “a high level of service is achieved” and records of the audits are supposed to be made available to NBC each month.
- **Resource Marketing Plan** – identified in SOMS is the requirement to produce and comply with a Resource Marketing Plan. The Resource Marketing Plan should have been presented for approval, at least, 1 month prior to the commencement of the contract. Within the Service Specification it was the intention that the plan is to be updated, as a minimum, on an annual basis and submitted to the Councils one month before the anniversary of the contract commencement.

There are other documentation which it is unclear whether they have been produced i.e. they may exist in another form or may not have been shared with NBC to date. It may also be the case that the documentation exists but is not as described in the Contract.

These are:

- **Operational Plan** – included in clause 13 of the contract, to be reviewed annually and submitted to the Contract Officer for approval...Whilst it is assumed that the Operational Plan is reflected in part in the SOMS1 – 6 documentation, only one set appears to be available from 2011/12 and there hasn't been a review issued to NBC for 2012/13. In addition, according to the Contract the Operational Plan should include: the Contractor's self monitoring regime; recruitment and retention policy; depot management plan; health and safety plan; vehicle management plan (including loading within weight tolerances); method statements; Contractor's procedures. Clearly the SOMS do not satisfy all these requirements.
- **Recycling strategy** – included in clause 18 of the Contract, to comply with the Councils own recycling Policy and to be reviewed annually as part of the Operational Plan.
- **Communications strategy** - a communications plan has recently been produced by EMS and submitted to NBC however it is felt that the focus is solely on service information, ensuring that recycling is maximised. There is concern that the plan should address wider issues and the opportunity to build bridges in the community should not be missed, particularly in relation to performance failures experienced to date (discussed further in Section 4.2).

4.2 Contract Performance

4.2.1 Achievement against the KPIs

Based on evidence collated from EMS directly and from Performance Plus all available data has been mapped against the KPIs identified in the Contract and the SOMS.

Annual Targets

Targets for 2011/12 have not been met. Also EMS has failed to issue data in relation to a number of annual targets and is being pressed to do so by the Partnership Unit. It is worth noting however that although under target the progress in terms of recycling has been good.

Four Monthly Targets

Performance is better with regard to the four monthly targets. Data has been generated for all KPIs and all are on target with the exception of N195c and N195d (Percentage of land and highways that is assessed as having deposits of graffiti and flyposting respectively, that fall below an acceptable level) which in 2011/12 were slightly over the target. Performance has improved for N195d in 2012/13 to date but there is still a slight variation with N195c in terms of performance achieved against target.

Quarterly Targets

With the quarterly targets, again it is only graffiti and flyposting that underperformed in 2011/12; however improvement in this KPI has been seen to date with figures for June on target.

Monthly Targets

The biggest issue in terms of the monthly targets has been 'missed bins' and also the 'number of missed bins put right within 24 hours'. The progress at the start of 2012/13 was not much better, with EMS exceeding their annual target in the first four months of the year.

In addition, although there is an absence of data provided for the first 8 months of operation the number of missed bins put right in 24 hours has been below target from February 2012 to July 2012, although the latest data from Enterprise shows that they are on target for August 2012. The number of customer complaints also regularly exceeds the target. Aside from complaints regarding collection, grounds maintenance has attracted a lot of negative attention.

4.2.2 Financial Performance

In terms of the cost of the service and the end of year 1 outturn there is no evidence to suggest deviation from budgeted costs; there have been no requests for variation which has led to increased costs against what was anticipated and planned for in the service. A number of issues in relation to pensions and superannuation costs have been addressed (to the benefit of NBC) and a number of issues have had to be resolved which have not been clear in the Contract in terms of scope of service, responsibility for payment and transfer of income streams. However the overriding view of NBC is that the anticipated level of savings has been achieved in year 1 of operation and the Contract is on schedule to deliver year 2

savings. It should also be noted that with the implementation of the performance payment mechanism the contract may come in under budget.

5. Key Issues

5.1 Performance Failures

Clearly the number of missed bins is the most significant failure of the contract to date⁸. Since mobilisation when the system was completely changed in Northampton, collecting waste from all households has posed a challenge and this is reflected in the continual failure in meeting the target for the permitted number of missed bins. Repeat missed bins, particularly assisted collections, make up a significant proportion of the data. Two of the contributing factors given by Enterprise for this ongoing problem is the reliance on agency staff and the way the rounds are currently structured. The number of operatives presently required to deliver the service is significantly higher than the staffing levels Enterprise anticipated needing; according to the SOMS documentation it was anticipated that [redacted] operatives would be needed across the service, only 1 of which would be agency compared to the current scenario of [redacted] operatives with [redacted] agency staff. At present Enterprise operate [redacted] rounds across Northampton (rather than the [redacted] rounds predicted in the base case), using a 6 day working week to maximise the use of vehicles and maintain a high level of workforce, with staff working a [redacted] hour rota system. It can take a cycle of 4 weeks for a crew to return to a round and with a constantly changing work force crews are not getting established and are not getting to know their rounds sufficiently. In addition rounds are presently not equal in terms of their size and the time needed to service the properties therefore crews from other rounds are being called across to complete rounds and either a lack of information or lack of use of information in relation to assisted collections on those routes is resulting in repeated missed bins.

The use of agency staff within waste management is certainly not a new concept; for many years the waste industry has relied on agency staff to maintain continuity of service delivery. However, many of the mechanisms that are set out in SOMS1 and 2 to ensure quality of service and effectively monitor performance have not been fully implemented to date; these mechanisms should theoretically address the challenges posed by crews rotating around rounds, through the use of in-cab information, real time monitoring and clear accountability. In-cab systems are not universally in place at present and will not completely come on line until EMS has finalised and agreed its latest review of rounds; the new proposed round system was reported as ready to be presented week commencing 10th September⁹. In-cab systems provide a visual representation of the route and identify all assisted collections. Real time monitoring can take place and data transferred immediately to each crew to provide notification of missed bins as that data comes in to NBC. The justification in delaying

⁸ Payment performance mechanism has been initiated in the first quarter of this financial year to impose penalties on EMS for underperformance in relation to the number of missed bins and complaints.

⁹ Date provided by Simone Wade during interview on Thursday 6th September. A date for roll out of new rounds has not been provided.

evident that these systems are being followed. Coupled with the Resource Audit NBC should have a very clear picture of what equipment and staffing are currently in place.

The other aspect of environmental services which has been challenging is grounds maintenance. A high number of customer complaints reported by NBC have been in relation to quality of grounds. The challenges of weed control and maintaining verges and open spaces to optimum conditions is widely reported by other authorities this season, as a consequence of extreme weather experienced this year; rapid growth and conditions not conducive to cutting have placed pressure on grounds maintenance teams across the country. However, it is felt that the demands of the collection service have placed undue pressure on the grounds maintenance service in terms of resources made available to this part of the service. Like waste this is a highly visible part of the service and one in which the public will be less tolerant to accept deviations in quality. There is the view that insufficient resources were put into grounds maintenance initially, making it difficult for the crews to catch up on the backlog of work that has resulted from extreme weather conditions. Whilst these are clearly operational issues outside the remit of NBC, the annual business plan and resource audit, once in place, will make it clear whether resources were to blame. EMS have confirmed that additional resources are currently in place to ensure grounds maintenance is back to a level that is acceptable.

Whilst all of the above may offer some explanation as to the potential causes for performance failure measured against contract KPIs, the issues outlined are outside of the direct control of NBC and are indeed operational issues for EMS. Rigorous enforcement of the contract however could influence these operational failings. This is discussed further in Section 6).

5.2 Data and Reporting Systems

With an outcome based contract having accurate data is essential in order to effectively monitor the performance of the contract. Any discrepancies or anomalies with the data can have a direct effect on confidence and trust between all partners.

5.2.1 Data Errors and Anomalies

It should be noted that although all partners who participated in this review were extremely helpful in supplying data and evidence in relation to performance, there remains some challenges in relation to data. It is therefore clear that there are some issues yet to be resolved in relation to monitoring and reporting systems and also the strengthening of verification and audit protocols that have recently been put in place.

EMS has also stated that there have been issues with the way they have managed data internally which has led to inconsistencies on occasions in recording performance. For example, as a result of incorrectly closing down reports of missed bins once they had been collected, there were occasions when the collection day recorded was the day of closure of the report rather than the actual day the bin was collected; this has implications on the KPI 'missed bins put right within 24 hours'. There have been assurances that this has now been rectified to ensure a true picture of performance is being presented and that recording against the relevant KPI is more accurate as far as EMS are concerned.

It was reported in the Internal Audit Report¹⁰ that reliance should not be placed on the information provided by the contractor. This should be audited and validated frequently to provide confidence in the reported outcomes as being an accurate reflection of performance. The contract management team have access to the systems used by Enterprise allowing spot checks to be performed and clarification of data to be secured. Validation procedures have recently been put in place but could be further strengthened.

5.2.2 Non reporting of some KPIs

Within the Contract “non reporting by the Contractor of any aspect of its performance in relation to the Key Performance Indicators...” is considered to be a ‘Critical Performance Default’. There are still some omissions in reporting data. The reasons for such omissions need to be resolved and where it is agreed that KPIs can be excluded from the reporting mechanism there needs to be a clear audit trail.

5.3 Clarity of Contract

5.3.1 Definitions

EMS have tried to make the case that if a missed bin is then collected on the same day of its scheduled collection then it should not be classified as missed. NBC do regard it as a missed bin and have insisted such occurrences are counted towards the total of missed bins when the KPI is reported each month. It is NBCs view that it is of paramount importance that such failures do not occur in the first place, they are however supportive of the tactic of collecting missed bins on the same day. This approach, whilst not improving performance against the missed bin KPI, is having a positive effect on reducing customer complaints.

5.3.2 Ambiguities

There remain queries over minor issues in the Contract, principally points requiring clarification which are open to interpretation. It is crucial that there is a clear joint understanding of exactly what the Contract means and what it says and expectations are managed accordingly. Any lack of understanding within the Partnership Unit means that ambiguities with EMS and DDC take time to be effectively challenged and resolved.

5.4 Contention over the Baseline Data

EMS has raised a number of issues with regard to the baseline data upon which they based their original proposal and which underpins their service design, namely:

- The total number of households requiring a collection service;
- The categorisation assigned to households in relation to that collection service;
- Clarity of asset information;
- Total number of households assigned as assisted collection.

¹⁰ Northampton Borough Council, Internal Audit Report 2011/2012 for Northampton Borough Council (November 2011 Environmental services contract review)

Clearly the above issues have a bearing on the operation of the contract, particularly its delivery. It is in NBC's best interests, in terms of maintaining a positive partnership relationship, to achieve early resolution and NBC is therefore working hard to resolve these queries.

5.5 Fulfilment of Contract Requirements

5.5.1 Awareness of contractual requirements

When questioned about the existence of contract documentation there was a lack of awareness within EMS of what was required contractually. Within EMS there is no clear justification about why this documentation has not been produced; it is assumed that the production of this documentation is relatively normal practice with their other contracts in place across the country.

Inevitably delivery problems have overshadowed the enforcement of all performance indicators, with the priority being ensuring a fully operational service is provided to all residents. However NBC has advised that the Partnership Unit has now put plans in place to ensure that the full requirement of the Contract is applied and that the Contract Manager has the capacity and support to achieve this.

5.5.2 Lack of appropriate documentation

Incomplete contract documentation means that NBC has some gaps in the formal documentation against which to measure the ongoing delivery. Missing information can lead to a lack of confidence in EMS in terms of their forward planning and indeed their ability to resolve day to day operational problems they are encountering.

6. Conclusions & Recommendations

6.1 Concluding Comments

The findings identify a number of achievements of the Contract, for example the significant savings made by NBC within the first year of operation. The contract is also on schedule to achieve the predicted year two savings. In addition the service has expanded with food waste collection now included for all households and the range and frequency of recycle collection has increased. The monitoring data also shows that performance of the contract against some KPIs has in fact been good and within target.

However what is also apparent is that EMS is currently underperforming in a number of significant areas as demonstrated in their performance data. In addition they have not satisfied all contractual requirements. Whether this is a failing in local management is immaterial to NBC as the only consideration they have is delivery of the outputs specified within the Contract documentation. However it is worth noting that a new Regional Director has recently come into post as a result of an internal reorganisation and there is recognition that the Contract has encountered a number of problems in its delivery. In terms of the operation of the Contract there are assurances that the in-cab systems are coming on line imminently, and a fundamental review of the rounds, coupled with the employment of 51

permanent staff from mid September is intended to address the ongoing performance issues in relation to missed bins.

Within NBC there have inevitably been issues with full performance of the contract management role arising from the need to 'fire fight' in response to the operational failures of EMS. This has been recognised by the Partnership Unit and the staff associated with the Contract and measures have already been initiated to address these issues. This includes an acknowledgement that the monthly communications between the Partnership Director and the Contract Manager need to be more formalised and supported internally, at least in the short term, to ensure that the right focus is given to these meetings and technical issues do not dominate. It is intended that the Head of Public Protection will be attending these meetings in addition to the Contract Manager.

NBC has also recognised the gap in contract documentation and is working hard to ensure that all the appropriate documentation is provided by EMS and is up to date.

In conclusion whilst the Contract may be lacking in detail at some points and some management documents are yet to be provided by EMS, the performance outputs required are clear. What is also clear is that the requirements of the Contract are not been rigorously adhered to by EMS. Therefore the internal management of the contract will remain vitally important to ensure that the most appropriate systems are in place.

6.2 Key Recommendations

1. Review the Contract Management within NBC

Whilst there are clear systems in place to collate and review performance data and information and to respond to day to day operational problems, there must continue to be senior support provided to the contract management function. The Contract Manager must continue to be supported in challenging and rigorously assessing the contract in its delivery. The problems which have been encountered to date, since the roll out of the new contract has left some members of the Partnership Unit essentially 'fire fighting' in relation to aspects of environmental services delivery and it should be acknowledged that the technical expertise of the Contract Manager appears to have been invaluable at this time. However strategic input and senior support into contract management will also continue to be important for some time to come.

Because of the need to fire fight, points of clarification and ambiguities have taken longer to resolve and have led to uncertainty within the Partnership Unit as to the correct response. The staffing structure of the Partnership Unit needs to be kept under regular review to ensure the necessary capacity is in place to perform a robust contract management function.

2. Implement a data validation system

It is essential in a contract which relies on data to assess performance and to drive the payment and performance mechanism, and incorporates a Client self assessment approach to data collection, that a robust validation system is in place. NBC needs to have confidence

in the data set and also needs to be sure that it is an accurate reflection of what is happening. Validation processes have recently been put in place but consideration should be given to further strengthening these processes overtime to ensure continued confidence in the data supplied by EMS into the future.

3. Develop a Contract Protocol

There is inevitably ambiguity with some aspects of the Contract and gaps in contract documentation which could cause a lack of understanding and awareness of what is required on occasions. Therefore it is recommended that all staff who have an involvement in the Contract are equipped with a Contract Protocol identifying what is required, by when, pulling out pertinent points and timelines required. This will enable NBC to proactively identify areas of potential ambiguity and have a position ready should a differing of opinion and interpretation arise between NBC, DDC and or EMS. Included within this should also be a monitoring protocol which clearly sets out the processes to follow should the Partnership Unit identify performance failures.

4. Prioritise the documentation to be provided by Enterprise

It is recognised by NBC that enforcing the production of missing documentation is not just a theoretical exercise which will enable them to simply tick a box in terms of EMS contract delivery. Data and information has to be constantly chased and there is a reliance on NBC being proactive in this. It is recommended that EMS is instructed to generate the following documentation:

- Contract Manual – this is essential bearing in mind the staffing challenges experienced by EMS and their role in the failure of the service in terms of the number of missed bins
- Annual Contract Review – this will ensure that EMS undertake an analysis of the service with a view of the reasons for any weaknesses. It will also require the service to be benchmarked against those undertaken elsewhere and requires a detailed action plan for moving forward.
- Business Plan for 2012/13 – this will ensure that the right focus is being applied by EMS and will update the SOMS and clarify the project management framework which is currently in place. The Business Plan would allow NBC to see evidence of forward planning and give confidence in the future.

It is also recommended that, considering EMS is a national company and should be used to issuing documentation of this nature, and bearing in mind how overdue these documents are, a long time frame is not given for their completion.

5. Formalise communication between EMS and NBC on monthly basis.

As already stated in the conclusion steps are being taken to formalise communication between EMS and NBC. In addition to attendance by the Head of Public Protection an additional officer will be made available to keep a record of what has been discussed. As there are multiple means of engagement undertaken with Enterprise on both a formal and

informal basis a single EMS Service Improvement Action Sheet has been proposed to ensure that all actions and activities are recorded in a single source and can be tracked more effectively; this action sheet should be a standing item on the agenda of the monthly partnership meetings.

6. Measure performance against all agreed KPIs

Without exception, all KPIs agreed as set out in the Contract and SOMS, need to be reported upon within the appropriate timescales. NBC need to ensure that EMS provide all appropriate data.

In addition it is recommended that more detailed performance data is accessed, at least in the short term to allow for a better understanding by NBC where the failures are occurring. It will also equip NBC with an extra level of detail to challenge and validate the summary data being provided by EMS. This may seem onerous but it is essential that NBC have the depth of knowledge required to really understand where and why the performance failures are happening. EMS do generate more data than required by NBC (for example day to day break down of missed bins); this level of detail will assist with spot checks undertaken as part of a strengthened validation system.

7. Identify training needs within NBC

It is recommended that any training needs in relation to contract management are identified and addressed. In addition NBC accept that some complaints are not valid within the agreed definition and NBC have asked for input from EMS to establish whether the call centre is using the best descriptors and categorisation of complaints and enquiries etc. The issue of further training for staff may then need to be considered.

Appendix 1: Interviews and Communication

With thanks to the following people who gave their time to this project:

- David Kennedy, Chief Executive (NBC)
- Julie Seddon, Director (NBC)
- Francis Fernandes, Borough Secretary and Monitoring Officer (NBC)
- Isabell Procter, Director of Resources (NBC)
- Steve Elsey, Head of Public Protection (NBC)
- Olive Gray, Customer Relations and Support (NBC)
- Mick Tyrrell, Partnership Contract Manager (NBC)
- Simone Wade, Partnership Director (Enterprise)
- Dave Martin, Regional Director (Enterprise)
- Kieron King, Street Scene Manager (Enterprise)
- Paul Chambers, Parks and Open Spaces Manager (Enterprise)
- Councillor David J Mackintosh, Leader of the Council (NBC)
- Councillor John Caswell, Portfolio Holder for the Environment (NBC)

Glossary of Terms

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| Client | Northampton Borough Council |
| Contractor | Enterprise Managed Services Ltd |
| DDC | Daventry District Council |
| EMS | Enterprise Managed Services Ltd |
| FT | Financial Templates (part of the Contract |
| NBC | Northampton Borough Council |
| NJMWMS | Northamptonshire Joint Municipal Waste Management Strategy |
| SOMS1 - 6 | Service Output/Method Statements |