

Overview & Scrutiny Committee

Monday 7 February 2011

7.00 pm

Town Hall, Peckham Road, London SE5 8UB

Supplemental Agenda

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**REVIEW OF KEY PERFORMANCE
INDICATORS
IN THE HOUSING REPAIRS SERVICE**

Report of Housing & Community Safety Scrutiny Sub-Committee

February 2011



CHAIR'S FOREWORD

In July 2010 the Housing and Community Safety Scrutiny sub-committee chose to investigate Southwark's Key Performance Indicators (KPIs) for the Housing Repairs Service. This is a service which thousands of Southwark residents rely upon, but which can cause them extreme inconvenience if it lets them down.

At all times during this process sub-committee members kept in mind the need to carry out a scrutiny which could make a direct contribution to improving the quality of the repairs service provided to residents. We decided to do this by focussing completely on the issue of KPIs.

It is important to understand that this scrutiny is not a general investigation into the repairs service. Sub-committee members were determined from the outset not to simply paint a picture of the day to day workings of the repairs service and how it was viewed by residents. First and foremost we wanted to understand how Southwark has been measuring its performance in this vital service area and, if necessary, to make recommendations on how to improve them.

Anecdotally we suspected there were problems with the service which were simply not being picked up by the performance data. We have deliberately focused in on a problem and gathered evidence on its causes. As you will see from the report, our initial view has been borne out by the evidence. For this reason, the report is necessarily critical of the repairs service and will not make easy reading for those responsible for constructing Southwark's repairs KPI system.

However, the sub-committee is eager to make it clear that the hard work of officers of all levels on housing repairs is acknowledged and appreciated. The sub-committee is aware that there have been long-term problems with the quality of the repairs service and that officers and contractors are working hard to improve the service. We hope that the recommendations in our report will be accepted in the constructive spirit in which they are offered.

Finally, the sub-committee wishes to thank all the officers and contractor employees who assisted in the compiling of this report. Their insight and knowledge enabled the sub-committee to gain a detailed understanding of the KPI regime and we are grateful for their help.

Councillor Gavin Edwards
Chair, Housing and Community Safety Scrutiny Sub-Committee

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Part 1 – Introduction

Background to Key Performance Indicators (KPIs) in Housing Repairs

- 1.1 The repairs and maintenance service provides day-to-day repairs for Southwark Council's stock of 55,000 properties. Typically the service delivers around 120,000 repairs per year. The repairs are both internal and communal repairs around trades including plumbing, carpentry, electrical, roofing, drainage, plastering and void properties.
- 1.2 The repairs maintenance contract which commenced in June 2009 is run by two organisations: Southwark Building Services (SBS) (North of the borough) and Morrison Facilities Services (South of the borough). Morrisons is a private sector organisation. SBS is an "in-house" organisation. The contract is let for 7 years with an option to extend for a further 3 years. The contract includes "adjustments" to the contractors' profits linked to the performance in a variety of key performance indicators.
- 1.3 The quality of the housing repairs service in Southwark has been the subject of controversy for some time. Anecdotal evidence from councillors' casework has suggested serious problems with the quality of the service whilst key performance indicators (KPIs) show very strong performance across a range of areas.
- 1.4 Prior to the May local elections the 2009-2010, Scrutiny sub-committee A produced a draft report on the housing repairs service in general. Unfortunately the report was not agreed in its final form because the sub-committee's last meeting was not quorate. Nevertheless, recommendation 4 of the draft report stated "There are concerns regarding the figures for customer satisfaction. A clear analysis is required, along with a knowledge of the end to end process, to provide better use of information which would inspire tenants' and member confidence."¹
- 1.5 Officers were asked to provide a preliminary report to the 2010 Housing and Community Safety sub-committee on the housing repairs service for the meeting on 6th July 2010. Included in the report were the following statements:

"Service provider performance is easily measured and linked to a penalty/reward system."

"Service is already demonstrating improved performance against key indicators"

"Poor performance trends will be spotted early to allow early corrective action to be taken."

"The Quality survey call back process is intended to proactively identify where there is a breakdown in the service, and promptly take action to remedy the situation."²

- 1.6 The issue of the high volumes of complaints and casework generated by the housing repairs service was raised with senior officers at the 6th July 2010 sub-committee meeting. They gave their view that an important reason why so many casework/complaints came up was because of the size and scope of the housing repairs service in Southwark. They suggested that the sheer number of repairs carried out by contractors meant it was likely to generate casework and complaints. Their view was that the proportion of complaints compared to the number of repairs carried out was low.

¹ Housing Repairs Review, Report of Scrutiny Sub-Committee A, March 2010

² Agenda Reports Pack, Housing Scrutiny Sub-committee, 6th July 2010

- 1.7 Despite this, it is significant that the report provided to the 6th July Scrutiny meeting, officers did state that they had some concerns about some areas of service. They wrote:

“Whilst the KPIs highlighted above look relatively positive, we have concerns around a number of areas, including;

- *Increased pressure on a reduced Repairs and Maintenance budget*
- *Level of overdue works orders*
- *Quality of repair in some trades*
- *Call handling performance by Customer Service Centre”³*

At the meeting itself senior officers also gave their view that Southwark housing has had a legacy of decades of neglect and significant improvements in the service had been made. They asked members to bear in mind that, in long term, the service was on an upward trajectory and a lot had been achieved.

- 1.8 The head of housing management explained that there have been difficulties with the data in relation to sample size and consistency of data collection. She stated that work is underway with the call centre operator to ensure better consistency of data collection with regard to satisfaction KPIs.

Officers did not express concerns about the accuracy or reliability of the key performance indicators relating to % appointments made and kept, time taken to complete repairs or the % of repairs completed on the first visit.

- 1.9 In 2008, following the introduction of new housing repairs KPIs, Southwark entered its Housing Repairs Service for a national award in “the customer focused provision of services”. Performance statistics provided by the council lead to Southwark winning the award. *Inside Housing Magazine*, which organised the awards, concluded:

“Where once it had a complicated and frustrating system, with just 58% of residents satisfied with the service they received, benchmarking suggests Southwark now has the best repairs service in London, with 85% customer satisfaction.”

“Ninety-seven per cent of repairs are now attended on time and the number of repairs completed has increased by more than 26 per cent year on year. New ways of working are generating savings of around £500,000 per year and efficiencies of £1 million a year. The number of complaints about repairs has fallen by 20 per cent. By considering residents’ needs first, the service has been transformed.”

“The speed and extent of the transformation was, judges felt, truly impressive.”⁴

- 1.10 At the Scrutiny sub-committee meeting on 6th July 2010, the Director of Environment and Housing pointed out to the committee that there was a scrutiny uncompleted on repairs and it would be useful if the committee could use the data and information from that, as considerable officer and member hours had already been dedicated to this. She urged members of the sub-committee to take this into account when deciding their work programme for the year.

The importance of key performance indicators in housing repairs

³ Agenda Reports Pack, Housing Scrutiny Sub-committee, 6th July 2010

⁴ Inside Housing, UK Housing awards, 21 November 2008, Link <http://www.insidehousing.co.uk/ihstory.aspx?storycode=6501980>

- 2.1** Southwark's part-outsourced model of repairs means the quality and extent of contract management is crucial to maintaining a high quality service for tenants. As long ago as 2002, the Audit Commission was warning local authorities with outsourced repairs and maintenance contractors that poor performance could result from untrustworthy performance management systems and information. They said:

“Under partnering, these authorities still have little influence over contractor performance and had unjustifiably assumed that things would be better ... Some authorities forfeit their client performance management role very early, before being in a position to understand and trust the contractor's performance information systems to collect monitoring data for the partnership.”⁵

- 2.2** Councillors need accurate and trustworthy information on the performance of the service in order to drive improvements. It is particularly important that the Cabinet Member for Housing is able to trust performance information so that senior officers and the contractors can be held to account over weaknesses in the service. Equally, tenants need to know that their landlord is getting a real picture of the service being provided to them. Finally, the contractor themselves needs the information in order to effectively manage their own repairs operatives.
- 2.3** The structure of Southwark's housing repairs contracts makes the KPIs particularly important. There are financial incentives in the contract for SBS and Morrisons to maintain high performance based on the KPIs. In the case of SBS, as an in-house service provider, the profits would be returned to the council. If the KPIs are unresponsive and do not reflect the real level of performance, the contractor's incentive for improving service is removed. The contractor may rest on their laurels knowing that profits will not be reduced by poor performance.
- 2.4** Equally, Southwark Council has a strong interest in maintaining accurate repairs KPIs in order to achieve value for money. The structure of the repairs contract means that KPIs which artificially inflate performance levels could cost the council very significant amounts of money. Southwark's contract with Morrisons could see the council paying extra according to a formula based on 8 KPIs. Inaccurate KPIs could lead to Southwark paying extra for a poor service. Particularly in the current financial climate, such a situation would clearly be unacceptable.
- 2.5** However, the issues raised in paragraphs 2.3 and 2.4 have been further complicated by Southwark's failure to implement the KPI based incentives contained in the contract (See section entitled “The Housing Repairs Contract and the KPIs” on page 27)
- 2.6** When they work well, the reputational impact of key performance indicators can concentrate the minds of contractors and senior officers on improving a service. Companies such as SBS and Morrisons will win contracts with other public sector organisations based on improvements they have delivered elsewhere. In this sense, publicly available KPIs can help to focus senior officers and contractors on delivering a better service. Conversely, a serious and damaging situation arises when KPIs show high performance irrespective of the real quality of service being provided.

⁵ Housing Repairs and Maintenance: Learning from Inspection, The Audit Commission, January 2002

The scope of the report

3.1 To ensure that we were able to focus on systemic problems, rather than become distracted by huge amounts of data, the sub-committee decided to concentrate our investigation on the following Key Performance Indicators.

1. % of Repairs completed on time
2. Average number of working days taken to complete a repair
3. % of appointments made and kept
4. % of tenants satisfied with last repair
5. % of repairs completed on first visit
6. Overall satisfaction with the repairs service

As a result, the scope of this scrutiny report does not include communal repairs, large scale maintenance work, gas and electricity repairs or Decent Homes investment work. However, many of the lessons learned from this investigation may well be applied to these wider areas of service.

3.2 Initial investigations were also done into the amount of time it took for repairs calls to be answered by the customer call centre. "Mystery shopper" calls made to the customer call centre by sub-committee members found the average time taken to answer calls recorded in the KPIs (1 min and 16 seconds for 2009/10) appeared to be, on the whole, accurate. The time taken to answer calls is recorded electronically by the CSC itself.

3.3 At the start of the scrutiny process the sub- committee set out to answer the following questions:

1. Is there a gap between real performance (the actual tenant and leaseholder experience) in housing repairs and the performance presented by existing KPIs?
2. Is the Housing Repairs Service accurately measured by existing KPIs?
3. Is the Housing Repairs Service measuring the correct areas of performance in order to gain an accurate picture of real performance?
4. How much officer time and resource is invested in measuring performance and could this be done more efficiently?

3.4 Over the course of this investigation the sub-committee decided that answering questions 1 and 2 was of more importance than questions 3 and 4. We therefore focused our efforts on answering these questions. However, the sub-committee did move on to answering an additional question, which was: What are the principles of a successful Key Performance Indicator regime that would replace Southwark's current system?

Part 2 – Scrutiny of housing repairs KPIs

Southwark's current housing repairs KPIs

Table 1 shows the KPIs under scrutiny from September 2010:*

KPI		Sep-10	Method of collection
% of Repairs completed on time	Year To Date	91.9%	Calculated from iWorld report ("PIRepairs") from repairs completed in the month
	Monthly KPI	92.3%	
Average number of working days to complete all repairs	Year To Date	8.9	Calculated from iWorld report ("PIRepairs")
	Monthly KPI	8.3	
% of appointments made and kept	Year To Date	99.9%	Calculated from iWorld report ("PIRepairs")
	Monthly KPI	99.9%	
% of Tenant satisfied with last repair carried out	Year To Date	92.5%	Satisfaction survey
	Monthly KPI	88.6%	
% of Repairs completed on first visit	Year To Date	78.5%	Calculated from OptiTime single trade jobs
	Monthly KPI	80.8%	
% of residents who are satisfied with overall service	Monthly rate	88.60	Satisfaction survey

* The September KPIs have been used in the table above because this is the last month for which all of the indicators were available in the form that they were in at the start of the scrutiny process. Officers changed two of the KPIs in November 2010. See the section "Changes to the KPIs pre-empting this report"

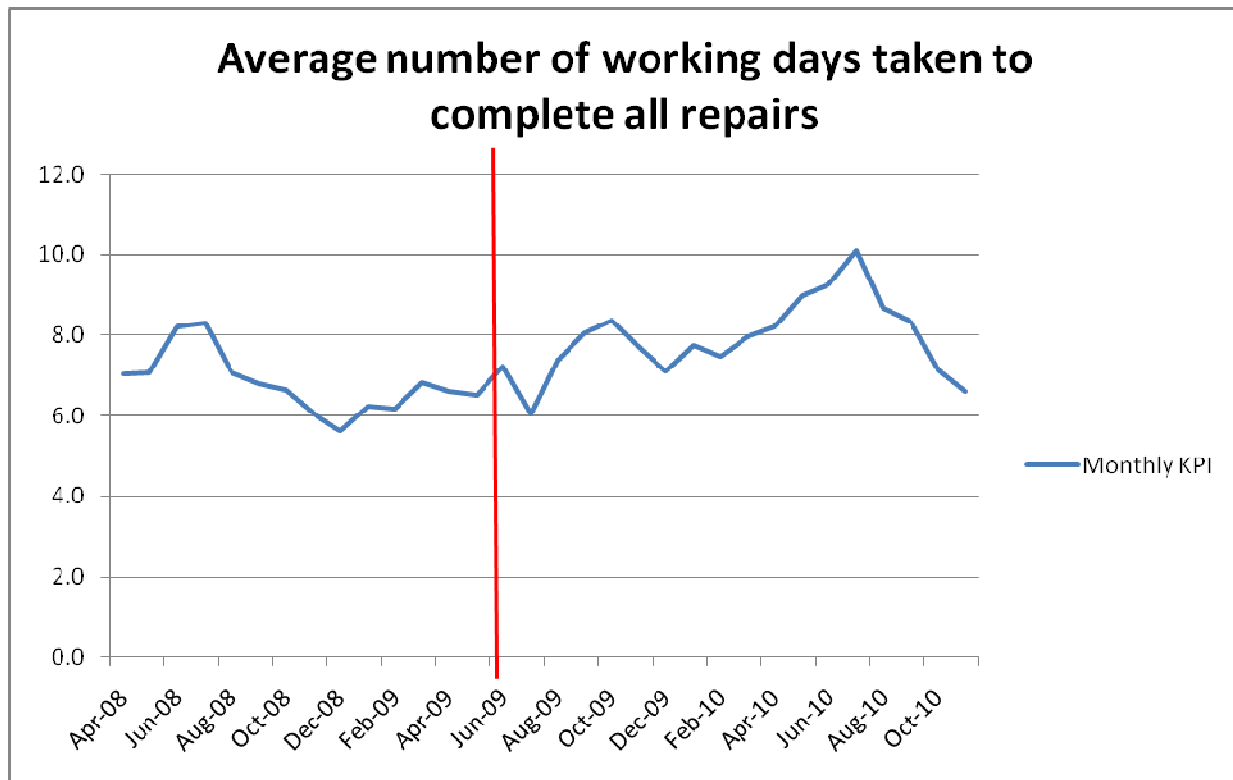
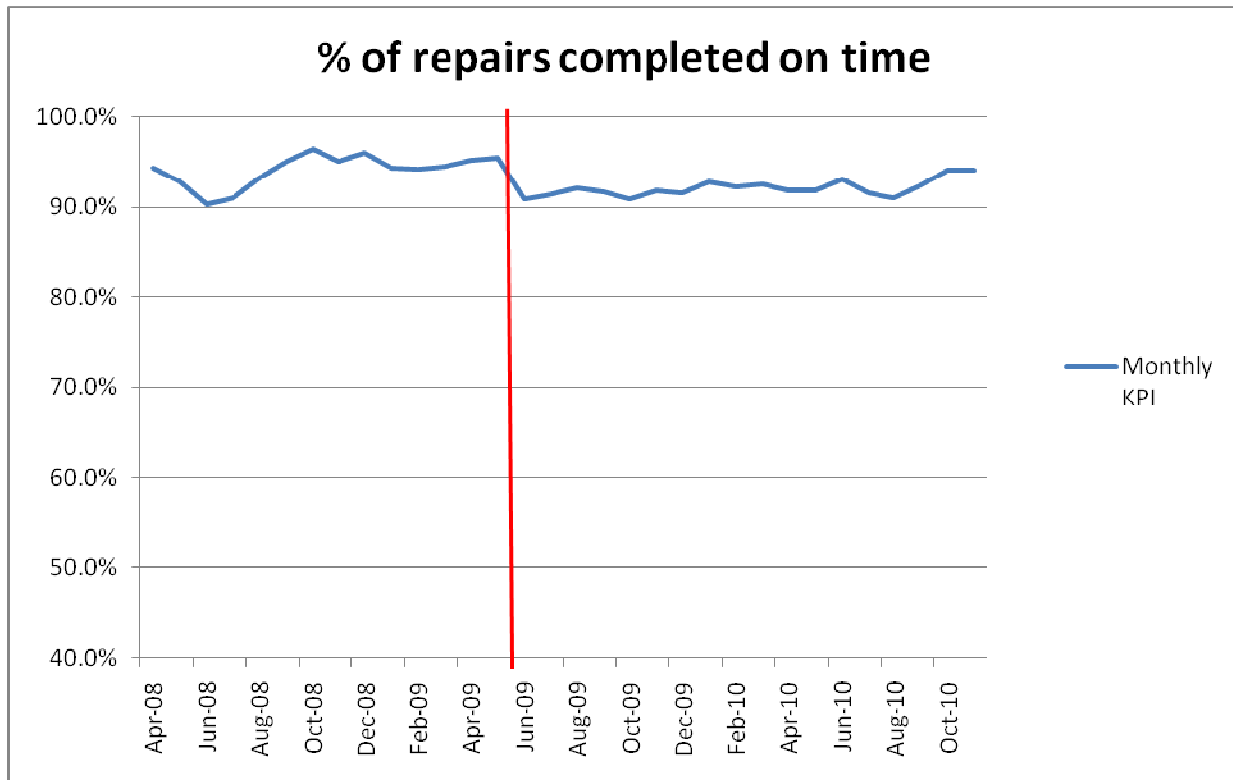
Table 2 gives the full set of figures for the KPIs under scrutiny.

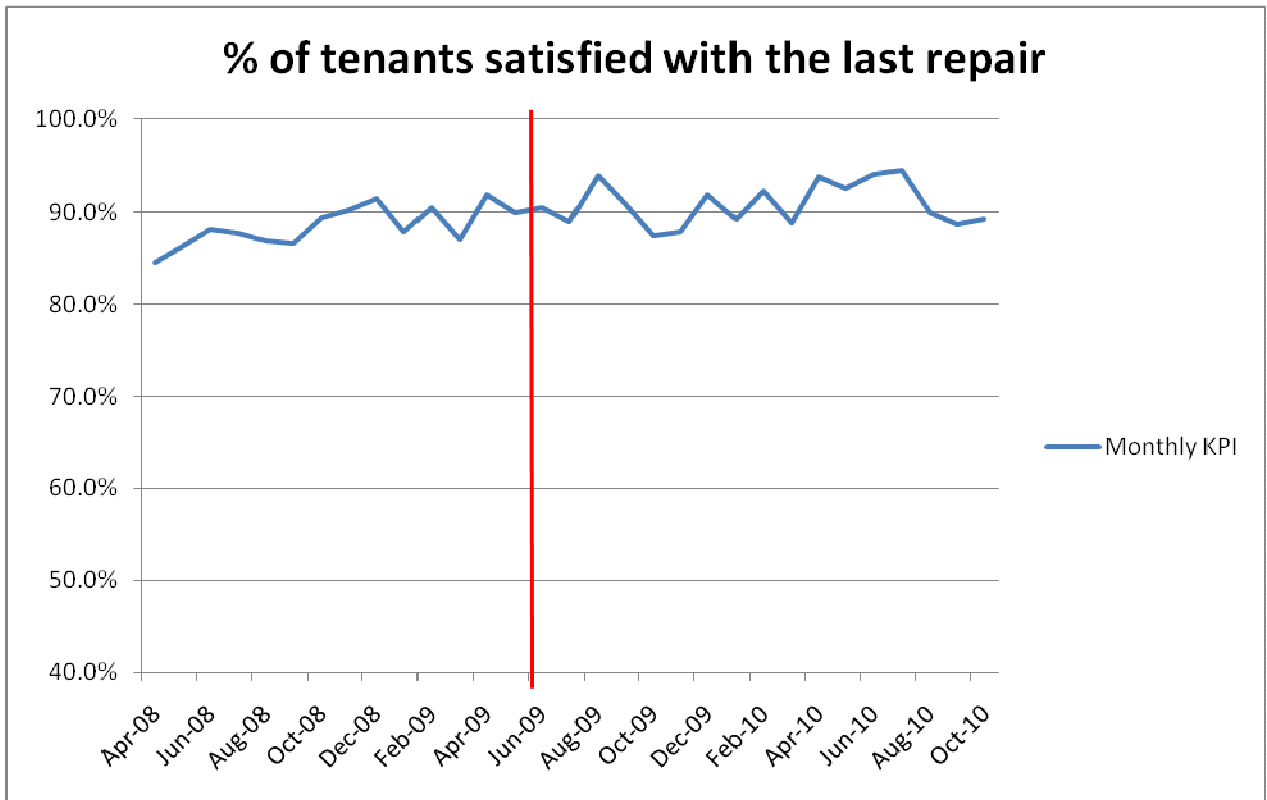
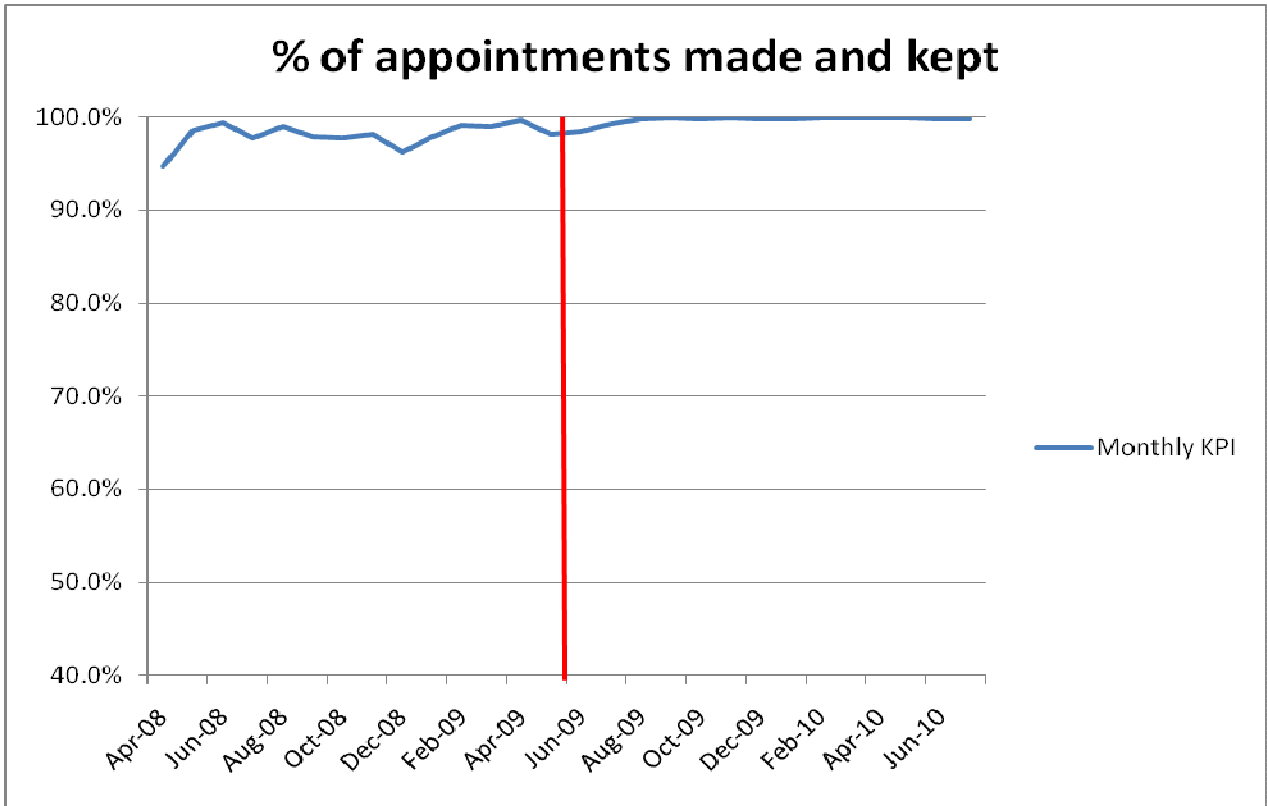
Table 2

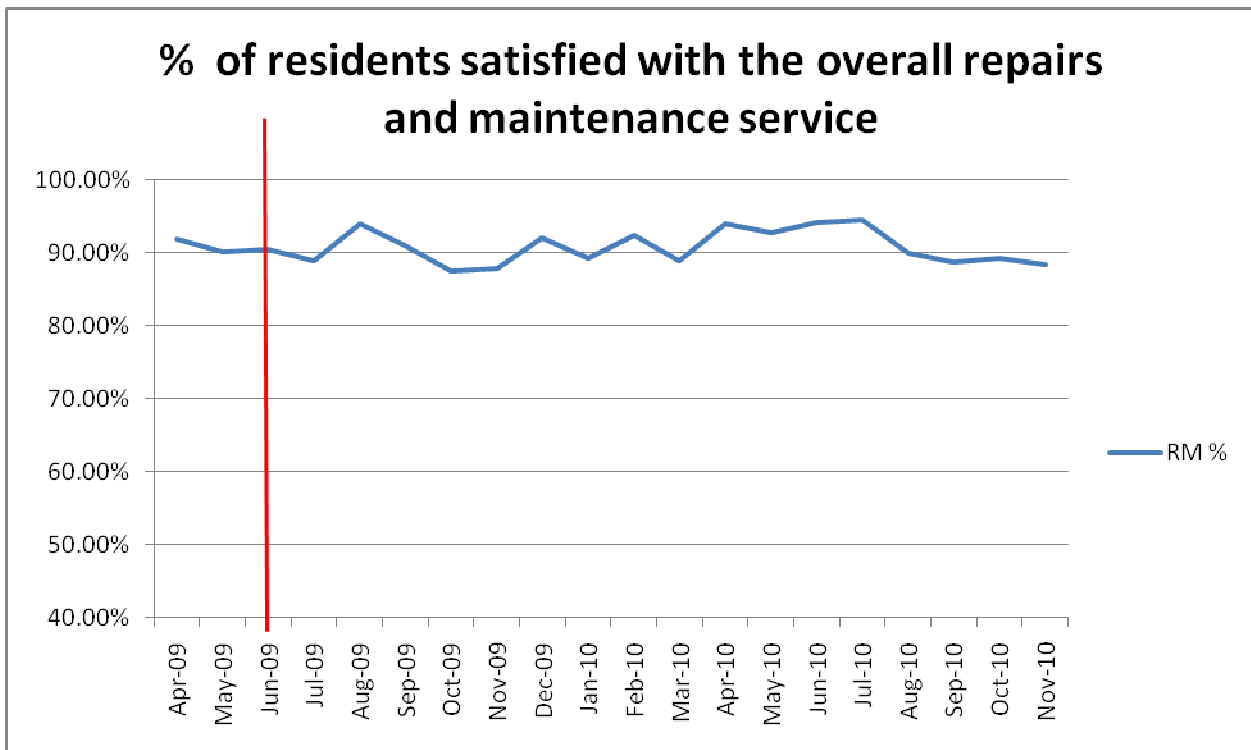
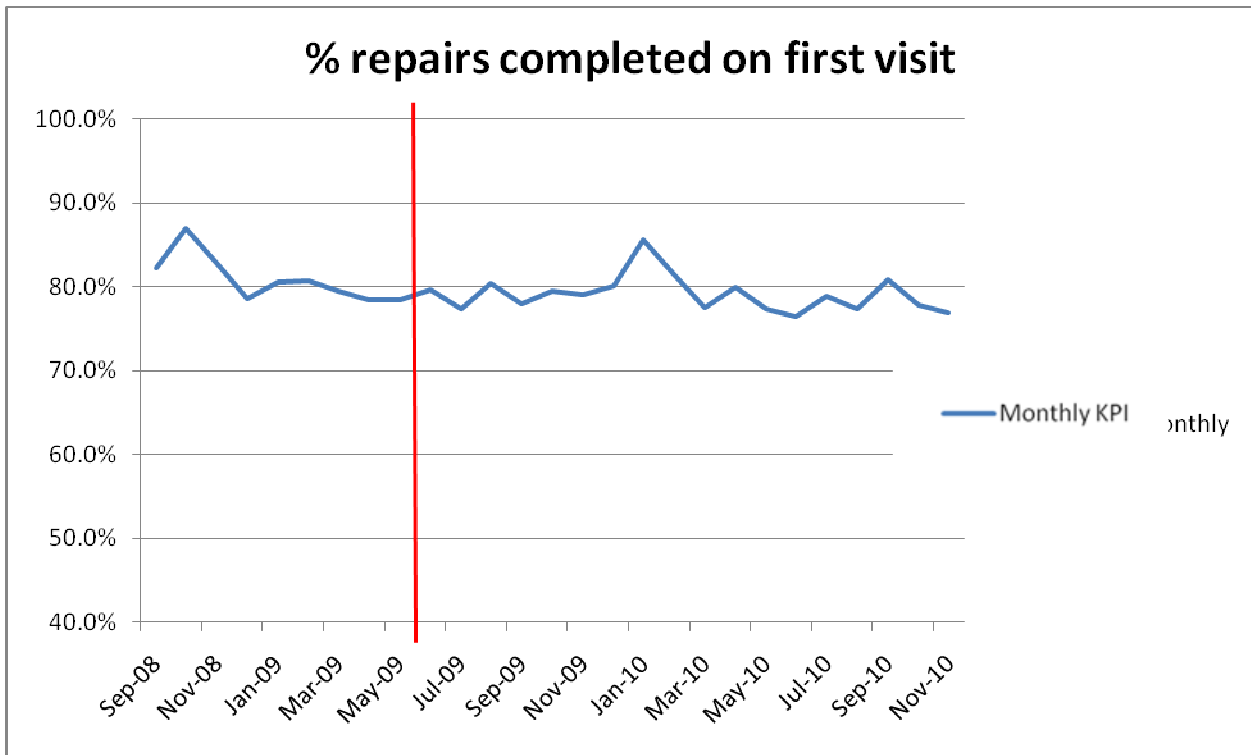
Date	% of Repairs completed on time		Average number of working days to complete all repairs		% of appointments made and kept		% of Tenant satisfied with last repair carried out		% of Repairs completed on first visit		% of residents who are satisfied with overall service
	Year To Date	Monthly KPI	Year To Date	Monthly KPI	Year To Date	Monthly KPI	Year To Date	Monthly KPI	Year To Date	Monthly KPI	Monthly rate
Apr-08	94.3%	94.3%	7.1	7.1	94.7%	94.7%	84.5%	84.5%			
May-08	93.6%	92.8%	7.1	7.1	96.4%	98.5%	85.6%	86.4%			
Jun-08	92.4%	90.2%	7.5	8.2	97.4%	99.5%	86.4%	88.2%			
Jul-08	92.1%	91.0%	7.7	8.3	97.5%	97.8%	86.5%	87.7%			
Aug-08	92.3%	93.2%	7.6	7.1	97.8%	99.1%	86.6%	86.8%			
Sep-08	92.7%	95.0%	7.4	6.8	97.8%	98.0%	87.0%	86.6%	82.3%	82.3%	
Oct-08	93.4%	96.4%	7.3	6.6	97.8%	97.7%	86.9%	89.3%	83.1%	87.1%	
Nov-08	93.6%	95.1%	7.2	6.1	97.9%	98.2%	87.3%	90.2%	83.1%	82.8%	
Dec-08	93.8%	96.0%	7.0	5.6	97.7%	96.2%	87.6%	91.5%	82.6%	78.7%	
Jan-09	93.9%	94.3%	6.9	6.2	97.7%	97.9%	87.7%	87.9%	82.4%	80.6%	
Feb-09	93.9%	94.1%	6.9	6.2	97.9%	99.1%	87.9%	90.5%	82.2%	80.7%	
Mar-09	93.9%	94.5%	6.9	6.8	98.0%	99.1%	87.8%	87.0%	81.9%	79.6%	
Apr-09	95.1%	95.1%	6.6	6.6	99.6%	99.6%	91.9%	91.9%	78.5%	78.5%	91.87
May-09	95.3%	95.4%	6.6	6.5	98.9%	98.1%	91.2%	90.0%	78.5%	78.5%	90.00
Jun-09	93.9%	90.9%	6.8	7.2	98.7%	98.5%	91.1%	90.5%	78.9%	79.6%	90.52
Jul-09	93.3%	91.4%	6.6	6.1	98.9%	99.2%	90.7%	88.9%	78.5%	77.4%	88.92
Aug-09	93.1%	92.0%	6.7	7.4	99.1%	99.8%	91.2%	93.9%	78.9%	80.4%	93.92
Sep-09	92.8%	91.6%	6.9	8.1	99.3%	99.9%	91.1%	90.9%	78.7%	78.0%	90.88
Oct-09	92.5%	90.9%	7.2	8.4	99.4%	99.8%	90.7%	87.4%	78.8%	79.5%	87.41
Nov-09	92.4%	91.8%	7.2	7.7	99.4%	99.9%	90.3%	87.9%	78.9%	79.1%	87.86
Dec-09	92.3%	91.6%	7.2	7.1	99.5%	99.9%	90.5%	91.9%	79.0%	80.1%	91.94
Jan-10	92.4%	92.7%	7.3	7.8	99.5%	99.9%	90.4%	89.2%	79.7%	85.7%	89.19
Feb-10	92.4%	92.2%	7.3	7.5	99.6%	99.9%	90.5%	92.3%	79.8%	81.5%	92.31
Mar-10	92.4%	92.5%	7.4	8.0	99.6%	100.0%	90.3%	88.9%	79.6%	77.5%	88.87
Apr-10	91.8%	91.8%	8.2	8.2	99.9%	99.9%	93.9%	93.9%	79.9%	79.9%	93.90
May-10	91.8%	91.9%	8.6	9.0	99.9%	99.9%	93.1%	92.6%	78.7%	77.4%	92.60
Jun-10	92.2%	93.0%	8.8	9.3	99.9%	99.9%	93.7%	94.1%	78.0%	76.5%	94.10
Jul-10	92.0%	91.5%	9.1	10.1	99.9%	99.8%	94.0%	94.5%	78.2%	78.8%	94.50
Aug-10	91.8%	91.0%	9.0	8.7			93.1%	90.0%	78.2%	77.4%	90.00
Sep-10	91.9%	92.3%	8.9	8.3	99.9%	99.9%	92.5%	88.6%	78.5%	80.8%	88.60
Oct-10	92.2%	94.0%	8.7	7.1	DISCONTINUED	DISCONTINUED	92.1%	89.3%	78.4%	77.9%	89.30
Nov-10	92.4%	94.0%	8.4	6.6					78.2%	76.9%	88.40

Graphs for KPIs under scrutiny

Vertical line = the June 2009 start of the housing new housing repairs contracts







4.1 Southwark’s own key performance indicators currently show very strong performance for housing repairs in a range of areas. These are the statistics which allowed officers to claim in their paper put before the sub-committee in July 2010:

“Service is already demonstrating improved performance against key indicators”

“Poor performance trends will be spotted early to allow early corrective action to be taken.”

- 4.2** Although cross London benchmarking information is difficult to come by, the KPIs above put Southwark in the upper quartile of Housing Repairs services in the capital, and often at the very top. As already mentioned, in 2008 these figures prompted *Inside Housing* to write that “Southwark now has the best repairs service in London”.
- 4.3** Members of the sub-committee commented in particular on the very high levels of satisfaction with the service and the almost perfect performance in repairs operatives keeping appointments.
- 4.4** Members also commented on the surprising consistency of the performance shown by the KPIs over a considerable period of time (since September 2008). Though there are variations, there is generally very little change in the level of performance. This is particularly surprising given the upheaval caused by the start of an entirely new contract in June 2009. Members of the committee concluded that this indicated one of two possibilities:
- a) Southwark’s housing repairs service has performed at a consistently high level since September 2008; or
 - b) The KPI system is unresponsive to variations in performance and will reflect similarly high levels of performance come what may.

How are the KPIs compiled?

- 5.1** The level of satisfaction with the service (both overall and with the last repair) is compiled via a rolling telephone survey. All residents who have recently had a repair completed are called and asked a series of questions.
- 5.2** Significantly, customers whose repair call is not recorded as complete on the system are *not* called as part of the survey. See section “Listening exercise on out- bound satisfaction survey calls” on page 16 for more information on this.
- 5.3** The overall satisfaction question is “How would you rate the overall quality of service provided to you?” Residents are asked to rate the service they have received between 1 and 5:
- 1 is “Very Poor”
 - 2 is “Poor”
 - 3 is “Satisfactory”
 - 4 is “Good”
 - 5 is “Very Good”
- Any resident rating the service “3” or above is deemed to have indicated that the service is satisfactory.
- 5.4** “The % of repairs completed on time”, is defined as the contractor completing the repair within the target time, which vary according to the priority set. i.e. 2 hours, 24 hours.
- 5.5** Information to compile all of the following KPIs is reported by the contractor themselves.
- % of Repairs completed on time
 - Average number of working days taken to complete a repair

- % of appointments made and kept
- % of repairs completed on first visit

The contractor operatives report this information via their mobile, electronic “iWorld” system.

- 5.6** The sub-committee expressed its surprise and concern that so much of the information required to compile the KPIs and calculate payments came from the contractors themselves without being cross-checked or verified. Subsequent investigation found that these concerns were more than justified.
- 5.7** Officers have pre-empted the completion of this report and have changed the way two of the KPIs are measured. As a result several of the *published* KPIs for November are different from those laid out in table 2 above. The sub-committee considers that these changes, although welcome and in-line with several recommendations of this report, are relatively minor and not of the order that is required for an accurate KPI system. See the section entitled “Changes to KPIs Pre-empting this scrutiny report” on page 20
- 5.8** The sub-committee expressed concern that the original numbering system used to measure satisfaction was not structured in a format consistent with data collection industry standards. For example Mori’s standard format is to have 4 options, structured in such a way that forces the responder to choose between a positive and a negative opinion. Even before listening to examples of calls made during the satisfaction survey, sub-committee members expressed their view that this numbering system was likely to skew results in favour of higher satisfaction rates. See section on “KPI monitoring survey” on page 21 for more information on this.

The “HQN Report”

- 6.1** In a report provided by officers to the 6th July 2010 meeting Officers stated:

“We anticipate that Housing Management will be subject to an Audit Commission inspection sometime in the near future. In preparation for this we recently commissioned an external audit of our Repairs service . . . The inspection highlighted a number of areas that require improvement, and we have produced an action plan to address the identified gaps.”

- 6.2** Following up on this statement the sub-committee asked to see a copy of the external audit. We were then provided with a report produced the external consultancy firm, HQN.

- 6.3** The HQN report was critical of the repairs service in general terms and stated that if the service were to receive an Audit Commission inspection immediately it would be given a zero star rating. The report went on to make further revealing observations, including:

“Quality of repairs – during the time we were in the call centre, we observed that a number of telephone calls were from customers who were concerned with the quality of the repair. During a two hour period we listened to a total of 16 calls, 13 of which specifically [sic] relating to a repair. Out of those 13, five were concerning dissatisfaction with the work undertaken. This is 38.4%.”

“Levels of pre- and post-inspections not robustly monitored. Staff interviewed did not know the levels generally and there is a lack of information in the performance monitoring information.”

- 6.4** The Sub-Committee considers the HQN report to be strong preliminary evidence that there is something deeply amiss with the housing repairs KPIs. It is impossible not to notice the disparity between HQN's zero star rating and the strong performance reflected in the KPIs. Even allowing for the methodological peculiarities of Audit Commission inspections (which HQN had sought to imitate), the contrast is striking.

Casework and Complaints

- 7.1** Table 3 shows statistics regarding complaints and members enquiries about the Housing Repairs Service since 2007.

Table 3

Members' enquiries and complaints*

	Total complaints	Total member enquiries	Total
2007	2291	943	3234
2008	1623	724	2347
2009	1754	746	2500
2010 (up to 30th Jul 2010)	1686	727	2413

*These figures do not include any complaints and members enquiries which are not reported through the icasework system.

7.2 The sub-committee recognises that it is difficult to take solid conclusions from these complaints and members enquiries statistics. A number of factors will affect these figures such as the accessibility of the complaints system and the casework practices of individual councillors. However, the sub-committee did feel that the overall numbers involved were high enough to place a further question mark over the accuracy of the KPIs.

It seems unlikely that a housing repairs service in which 94% of tenants had expressed satisfaction with would generate this number of complaints and members' enquiries.

Listening exercise on in- bound calls to the Housing Repairs Hotline

- 8.1** The sub-committee listened to 50 randomly selected recordings of telephone calls from residents to the housing repairs hotline. The listening exercise was extremely revealing as to the real standard of service being provided via the repairs contractors.
- 8.2** Though there were a small number of exceptions, customer call centre operatives were, on the whole, polite and helpful to residents calling in and reporting repairs. Clearly those answering phones operate in a pressurised and difficult working environment and the sub-committee felt that calls were generally handled well.
- 8.3** However, we found that 42% of the calls we listened to related to problems with repairs which had previously been reported. This is a similar percentage to that commented on in the HQN report. It is also an extremely high figure given that KPIs consistently report that 90%+ of residents are satisfied with their last repair and 79% of response calls are entirely completed on the first visit.
- 8.4** 32% of the calls we listened to related to missed appointments by the contractor.⁶ Again, this is at odds with the KPI which consistently reports that 99% of appointments are kept.
- 8.5** In the calls we listened to, call centre operatives were regularly required to call a contractor back to a repair that had already been recorded as "completed" via the iWorld system. This suggests serious problems with contractor operatives regularly reporting calls as complete when they are not. This was confirmed during the interview with representatives of the contractors. See section on the interview with the contractors on page 15.
- 8.6** Further to paragraph 7.5, call centre operatives would usually give a *new* call reference number to the resident when the call related to a repair which had already been reported. As a result:
- KPIs will reflect multiple completed repairs when in fact only one repair has been carried out;
 - KPIs will show repairs being completed within their target time, when they have taken longer to complete.
 - Southwark council will pay for multiple repairs when it should only have paid for one. (unless Southwark issues a default notice to the contractor)
- 8.7** Just a few examples of the issues being faced by residents picked up in the listening exercise can be seen in table 4 below.

Table 4

⁶ There is some overlap between the % of calls regarding missed appointments and the % of calls relating to problems with repairs that had already been reported.

Call Number	Description of issue in call
5	Call is to find out why operative did not turn up for an appointment. Plumber did not turn up to fix a leak.
8	"Morrisons were supposed to work in the flat last week." Operative who came "had no idea of the job they were going to do". Job is to replace the bath. Contractor said he was going back to his office to re-book the call. No call came.
20	A leak had been reported. Contractor went upstairs to fix it. Leak stopped for a while, but then restarted. Water leaking is now coming through the light.
21	Call back from customer about a lock that has not been properly fixed. Operator says "Back office on that one said it wasn't a missed appointment". Tenant – "I've got a letter saying it was."
23	General repair on bathroom. Customer stayed in all day but contractor never turned up.
26	Appointment booked for today to fix a blocked sink. Customer got a call saying they were on their way, but nobody turned up. New job raised. According to call centre officer the job was "cancelled" on system.
49	Emergency call for an electrician. Way beyond two hour wait. "Where is the contractor?"

Listening exercise: out-bound satisfaction survey calls

- 9.1** The sub-committee listened to 50 random calls made by the call centre as part of the rolling customer satisfaction survey. Three key observations were made:
- 9.2** Firstly, these calls are made to all customers who have repairs recently recorded as "completed", i.e.
- a contract operative had reported that they have completed the repair. Despite this, 16 of the 50 people who were called said that their repair was not fully complete. This strongly supports the suggestion (See para 8.5) that contract operatives are, with some regularity inaccurately reporting calls as complete when they are not. Such a practice seriously undermines the KPIs.
- 9.3** Secondly, it was clear from listening to the satisfaction survey that tenants did not understand that, when they gave a rating of "3" rating out of 5, they were stating they were satisfied with the service. The rating system was rarely explained to tenants before they gave their answer. In three examples tenants heavily and angrily criticised the quality of the service they had received in the early part of the survey, and then went on to give a rating of 3 or above – which would show as "satisfied" in the KPIs

- 9.4** Thirdly, the survey results were further skewed in favour of a higher satisfaction rate by the practice of only calling people with *recently completed repairs*. The polling organisation brought in to carry out the monitoring survey (see section on KPI monitoring survey) made precisely the same criticism of Southwark's methods. By theoretically excluding from the survey all tenants whose repairs are incomplete, Southwark is failing to capture the views of many people who are experiencing delays and problems with their repairs. It would be much fairer to call all customers who had reported a repair for whom the target time for the repair's completion has passed.
- 9.5** Examples of the issues raised in some of the calls can be seen in table 5. In all cases, the repair has been recorded as complete by the contractors.

Table 5

Call number	Description of call
4	The resident states that she is not happy with the repair because the water pressure is still low. But rates the overall service as good. (4)
12	Temporary repair is complete, but not fully complete. Call centre operative asks in a leading way: "You're satisfied with the work, yeah?" and "You're happy with the service as it is?"
18	This repair is not complete. Operative says "so the repair was done but you weren't satisfied with the quality of the work. Is that OK?"
24	Customer reports that the repair hasn't been done, but an electrical test has.
25	Customer is very unhappy with the work and the repair hasn't been completed. 4 months and the repair is not complete. Call centre officer asks "If the repair's not been done I can't do a survey" and ends the call. As a result this person's dissatisfaction will not be included in KPIs.
26	Window repaired on the outside, but not on the inside. The repair is clearly not complete. Water is coming through her walls.
38	Repair is not complete. Original call was put in 6 weeks ago. Then the customer received a call asking when they want someone to come out.
40	The repair is not complete. "But you're satisfied with the work that has been done". Customer rates the service as "Not Very good" but operative says, "OK, very good"
41	Call is not complete. Window has just been boarded up.
42	Window has only been secured. The call is not complete. Resident - "It is not really repaired". Call centre - "I know, but the survey's about boarding up and making safe." When asked what could be done to improve the service, customer says "You could come back and fix it."
45	Repair not complete. Someone has come out "but he never done nothing".
46	Leak not repaired. Someone came by. She is clearly not satisfied. But customer rates the repair as a 3.

Case Tracking exercise

- 10.1** As part of a case-tracking exercise, the sub-committee asked officers to investigate 8 cases from the listening in exercise. We wanted to know how and why particular problems had arisen and whether or not the KPI regime was flexible enough to pick up and reflect these problems. The table below shows the outcome of these investigations.
- 10.2** As the table shows, the source of many of these issues appears to be contractor operatives reporting that repairs have been completed when they have not, cancelling repairs for no reason and reporting that they have attended appointments that they have not. This confirms the observations made by the sub-committee as part of the listening in exercise.
- 10.3** These findings show the pitfalls that arise when so much ownership and control of KPI information is devolved to the contract operatives themselves. There appears to be very little oversight of their reporting activities, even by the management of Morrisons and SBS themselves. This is a conclusion that was confirmed following interviews with representatives of the contractors themselves. (See section "Interview with representatives of contractors, SBS and Morrisons p24").

Table 6

Source	Issue	Officer Report	Housing Sub Committee comments
Call number 5 on the CD	An appointment had been made for a plumber to come and fix leak. The plumber did not turn up,	<p>The tenant had to call several times.</p> <ul style="list-style-type: none"> • SBS repeatedly cancelled the job or put it to complete without recommendations • CSC incorrectly raised new job rather than nil value recall • The contractors did not self-report it as a missed appointment • The tenant was given the number to make a formal complaint but did not. 	A shocking example of mis-reporting by the contractor both about the completion of the job and attendance at appointments. By tracking this case, clear and unequivocal evidence of false reporting by a contractor operative has been gathered. By putting the job "to complete" the KPIs will be inflated to show multiple completed repairs within the target time, instead of the real situation, which is a series of missed appointments and repeated failure to complete the repair.
Call number 8 on the CD	Customer says that the contractor was supposed to work in the flat last week. They report that the contractor who came had no idea of the job they were going to do. Replace the bath. Contractor said he was going back to his office to re-book the call. Supposed to have been done in November.	<ul style="list-style-type: none"> • The bath does not need replacing, • It was not Morrison who attended but asbestos contractor who later returned to complete the work 	
Call number 20 on the CD	Leak reported. Contractor went upstairs to fix it. Leak stopped but then restarted. Water leaking through the light.	<ul style="list-style-type: none"> • The first leak was fixed temporarily • It is not council policy to recall out-of hours jobs so the CSC acted correctly in raising a new job • The works orders were completed on time • The leak was caused by major works contractors in the upstairs flat who fixed the leak permanently 	The Sub Committee feels that temporarily fixing something should not be recorded as a completed repair. All repairs should be considered incomplete until the problem has been completely resolved. Recording multiple completed repairs, when in fact only one repair has been carried out creates a false impression of the service being delivered.

<p>Call number 21 on the CD</p>	<p>Recall on a lock that has not been properly fixed. Operator says "Back office on that one said it wasn't a missed appointment". Tenant - "I've got a letter saying it was."</p>	<ul style="list-style-type: none"> • The CSC acted correctly by raising a recall and logging a missed appointment to be investigated • The contractors did not agree to pay compensation as they claimed they had attended but needed to refer the work to a specialist contractor • The work to renew the door was then completed within target • The tenant answered the survey incorrectly saying that first the appointment was kept, but then adding that they had attended in the afternoon rather than the morning 	
<p>Call number 23 on CD</p>	<p>General repair on bathroom. Customer stayed in all day but contractor did not turn up.</p>	<ul style="list-style-type: none"> • Contractor cancelled the first job incorrectly • The contractor did not self-report this as a missed appointment, and the tenant was unavailable for a survey. • CSC acted correctly in raising a new job to the out-of-hours service 	<p>More evidence of misreporting by contractor operatives. The routine misreporting of attendance at appointments, the completion of repairs and the cancellation of work is clearly a major problem. It is understandable that the CSC raised a new job under the out of hours service, but the KPIs should be flexible enough to record this as a single repair which has been subject to a missed appointment.</p>
<p>Call number 26 on CD</p>	<p>The contractor had made an appointment to fix a blocked sink. Customer got a call saying they were going to come and fix it, but nobody turned up. New job raised. Customer will need to wait for confirmation of appointment. Job was "cancelled" on system.</p>	<ul style="list-style-type: none"> • Contractor cancelled the jobs without giving explanation • CSC gave incorrect information and were not very sympathetic • Previous recommendations from the contractor had not been communicated for follow-on works to be organised, as per agreed procedure. • The tenant had to phone several times to get this repair resolved 	<p>More evidence of misreporting by contractor operatives.</p>

Call number 49 on the CD	Emergency call for Electrician. They not turn up in two hours	<ul style="list-style-type: none">• The work was completed, but after 6 hours rather than 2 hours, and only after the tenant called the CSC back.• The contractor incorrectly reported the job as complete on time by post-reporting	More evidence of misreporting by contractor operatives.
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Interview with representatives of contractors, SBS and Morrisons

11.1 Representatives from the contractors SBS and Morrisons attended a meeting of the Sub-committee on 29th November 2010. Their responses to our questions were blunt, honest and self-critical. Both contractors were asked if they felt KPIs were a true reflection of their organisation's performance in Southwark. In response, contractor representatives stated:

Contractor representative 1 stated:

"From what I have seen, we are currently providing a zero to one star service by Audit Commission standards."

"We are a long way from where we need to be."

"I know my operatives are not this good"

Contractor representative 2 stated:

"I don't recognise the performance of my operatives in these statistics."

"Real partnering with the council is not happening"

"We are under-performing and I want us to work with [our contract partners] and council officers to improve the situation. In order to do that we need to identify the areas of weakness, and these figures don't allow us to do that."

11.2 The interview revealed serious and continuing weaknesses in the management of repairs contract operatives in Southwark, which is leading directly to inaccurate KPIs. One contractor representative spoke about some of his contract operatives routinely failing to carry out the work they, but reporting some of this work as complete.

The contractor representative went on to speak about some of his operatives carrying out work, but doing so "Not really with any incentive to do anything at all." The representative explained that this was because of the payment structure under which some operatives worked.

11.3 The Chair then asked what disciplinary action would be taken against a contract operative who was found to have misreported information about attending an appointment or completing a repair. One of the representatives stated that managers and supervisors found it too difficult to deal with operatives who were found to have done this because they were effectively represented and Southwark Human Resources were too weak in dealing with disciplinary issues. In conclusion he said "To be honest, it's just easier to ignore it."

11.4 The statements in this interview gave, in the view of the committee, final confirmation to many of the problems that had been found via other investigations, in particular that there is an ongoing problem with false reporting of attendance at appointments and completion of repairs at contract operative level.

KPI Monitoring Survey

- 12.1** A key part of the scrutiny investigation was to carry out a survey which tested the accuracy of the existing KPIs. Initially, the sub-committee intended to carry out our own survey funded through resources secured via the scrutiny budget. However, following the launch of this investigation, Housing officers had decided to carry out their own survey to test the accuracy of the KPIs. Helpfully, they offered to give the sub-committee input into the questions which were asked. As a consequence, the survey is not precisely in line with the questions which the sub-committee would have asked in such a survey, but it did provide very useful information.
- 12.2** The information below is based on the interim results from the survey provided to the sub-committee on 23rd December 2010. The interim results come from 360 completed surveys, mainly carried out via telephone.
- 12.3** This survey was conducted randomly on all residents who had recently reported a repair. On reflection, the sub-committee feels that a more accurate way of surveying would be to include only those who had reported a repair for which the target completion time had passed. It is worth noting that of the 360 people surveyed, only 219 said that their repair was complete.
- 12.4** Three of the questions directly tested the KPIs. The table below shows the results along with a comparison with the relevant KPIs.

Table 7 – Comparison of KPIs with survey results

	A	B	C		
	Southwark KPI % (Nov 2010)	2010 Survey (% of those who answered question)	2010 Survey (% of all surveyed)	% Difference between A and B	% Difference between A and C
Was the last appointment kept?	99.9	83.5	78.9	-16.4	-21
Was the repair completed on the first visit?*	78.2	79	48.1	0.8	-30.1
Overall satisfaction	88.4	69.4	69.4	-19	-19

*of the 360 people surveyed, 219 said that their repair was complete. This is the reason for such a large difference between B and C for this KPI.

- 12.5** The results of another two questions are of interest, but which do not directly test the existing KPIs. They are questions 14 and 17:

Question Q14 Single-Coded. Answered by 219 out of 360

Q.14 How long did it take from your initial contact with the repairs service

to the repair being complete?

READ OUT - SINGLE CODE

		219	360
	Tot/Ans	%/Ans	%/Resp
1. Less than 24 hours	73	33.3	20.3
2. 2-3 days	62	28.3	17.2
3. 4-6 days	26	11.9	7.2
4. 7-8 days	29	13.2	8.1
5. 9-10 days	4	1.8	1.1
6. 11-15 days	4	1.8	1.1
7. 16 to 20 days	1	0.5	0.3
8. 21 days or more	17	7.8	4.7
Don't Know	3	1.4	0.8

Question Q17 (3) Single-Coded. Answered by 340 out of 360

Q.17 Thinking now about the repairs service you received (so far). Do you agree or disagree with

The quality of the repairs work was satisfactory

READ OUT - SINGLE CODE

		340	360
	Tot/Ans	%/Ans	%/Resp
1. Agree strongly	187	55.0	51.9
2. Agree slightly	51	15.0	14.2
3. Neither agree nor disagree	20	5.9	5.6
4. Disagree slightly	7	2.1	1.9
5. Disagree strongly	64	18.8	17.8
Don't Know	11	3.2	3.1

12.6 Of the three KPIs that are directly tested by this survey, two firm conclusions can be taken:

- The survey tells us that the KPI on appointments made and kept is inaccurate. Only 79.9% stated that the contractor turned up for the appointment as opposed to the 99.9% shown in the KPIs.
- The real level of satisfaction with the repairs service is clearly much lower than the 90%+ figures that have regularly been quoted in the KPIs. The survey shows a much lower figure of 69.4%.

The housing repairs contract and the KPIs

13.1 The Repairs maintenance contract which commenced in June 2009 is run by two organisations: Southwark Building Services (SBS) (North of the borough) and Morrison Facilities Services (South of the borough). The contract is let for 7 years with option to extend for further 3 years. The contract includes possible “adjustments” to the contractors profits linked to their performance against a variety of key performance indicators. Further details of these adjustments cannot be revealed due to the commercial sensitivity of this information. However, the reductions or increases in payments on either contract could potentially involve significant amounts of money.

13.2 Through this scrutiny process the sub-committee has discovered that Southwark Council, in agreement with both contractors, has not implemented the financial incentives based on the KPIs. The explanation for this can be seen below. The following quote is taken from an email exchange between the Chair of the sub-committee and an officer involved in the management of the contract. The incentives have not been implemented:

“Because of the difficulty of measuring the KPI's in a way that actually reflects the service being provided we have reported them but have not adjusted payments up or down. I understand that you have come across this problem during your Scrutiny investigation. KPI's are now being measured in a more "realistic" way. Unfortunately this does not align with the provisions of the contract and it has not been possible to either incentivise or penalise the contractor.

There have also been significant difficulties with the integration of the various computer systems used by the Council and the contractors which have rendered some of the KPI almost unachievable.”

13.3 The sub-committee believes that this state of affairs should not be allowed to continue. The financial incentives were placed in the contract for a good reason: to push the contractor to improve their performance. It is not acceptable for this contract to continue to operate with no financial incentives governing performance.

13.4 A key body in the management of the repairs contract is the “Core Group”. This is a body made up of Housing Officers and representatives from the contractors which meets on a regular basis to review performance information and resolve outstanding issues.

Changes to KPIs pre-empting this scrutiny report

14.1 Officers have pre-empted the completion of this report by changing the way several of the KPIs are measured. The changes relate to two of the KPIs covered in this report. They are:

- a) The KPI on appointments made and kept is no longer compiled using information provided by contractors using the iWorld system. Instead officers take this figure from answers given in the satisfaction survey.
- b) The answer options for the question on overall satisfaction with the service provided has been changed. In place of the original options, the following are now used:

- Very Good
- Good
- Neither satisfied nor dissatisfied
- Poor
- Very Poor

The middle rating was previously "satisfied". Southwark is now only counting those who said the service was "Good" or "Very Good" as satisfied.

- 14.2** Officers were asked via email why it was felt necessary to change the way in which the appointments made and kept KPI was calculated. The answer given was:

"It was felt that relying on the contractor's self-reporting for missed appointments was not as reliable as the tenant's point of view."

- 14.3** The sub-committee considers that these changes, although welcome and in-line with several recommendations of this report, are relatively minor and not of the order that is required for an accurate KPI system.

Payments to customers for missed appointments

- 15.1** A further observation throws yet more doubt on the accuracy of appointments made and kept KPI. There is a large disparity between this KPI and the number of payments that Southwark has paid to customers as compensation for missed appointments. The year to date figure for appointments made and kept is 99.9% - an almost perfect level of performance that suggests a mere handful of appointments have been missed. And yet, since the repairs contract was launched in June 2009, more than 1441 compensation payments for missed appointments have been made.

Walworth Community Council

- 16.1** During this scrutiny process the Chair of Walworth Community Council invited the Chair of the Housing and Community Safety Scrutiny Sub-committee to a meeting in Walworth. The Chair attended a meeting of Walworth Community Council on 10th November 2010 and gave a presentation on the work of the sub-committee.
- 16.2** Walworth Community Council area was a particularly useful area of Southwark in which to discuss this scrutiny process because of the high density of social housing in the community council area. Verbal feedback from local people attending the meeting provided very useful background information which informed the subsequent work of the sub-committee.
- 16.3** Most usefully of all, the Community Council carried out an electronic voting exercise in which all those attending (approximately 60 people) voted on their answers to various questions relating to the KPIs. The full results are in the table below.

Results from voting exercise at Walworth Community Council meeting, 10th November 2010

1. When you have contacted the customer service centre, was the customer service representative helpful?

Yes 55%

No 45%

2. Was the appointment kept?

Yes 50%

No 50%

3. Did the contractor turn up at the agreed time?

Yes 42%

No 58%

4. Do the contractor show you proper identification & wear a uniform ?

Yes 38%

No 62%

5. Was the contractor polite and tidy?

Yes 47%

No 53%

6. Is the repair fully complete?

Yes 43%

No 57%

7. Was this particular repair completed correctly in the first visit? By the contractor?

Yes 25%

No 75%

8. If the contractor needed to make another appointment, did they arrange this while still at your home?

Yes 15%

No 85%

9. If completed are you satisfied with the quality of work carried out ?

Yes 41%

No 59%

10. How would you rate the overall quality of service provided to you ?

Very good 7%

Good 17%

Neither good nor bad 31%

Poor 24%

Very poor 21%

16.4 The sub-committee accepts that voting exercises such as this are not scientific. Though the vast majority of those attending the Community Council meeting were council tenants, by no means all were. However, the results do make interesting reading. In particular, the very low levels of satisfaction and % of appointments kept have little similarity with the KPIs.

Part 3 – Conclusions and Recommendations

Assessment of the accuracy of key performance indicators

- 17.1** Southwark's housing repairs KPIs currently provide little or no insight into the actual quality of service being provided by SBS and Morrisons. The KPI system, as it is currently constituted, relies on two sources of information (contract operative's iWorld system and the satisfaction survey) neither of which can be relied upon. Consequently, those who suspected that these KPIs were too good to be true at the beginning of this scrutiny process, have been proved correct.
- 17.2** The information entered into the council's iWorld system by contract operatives is regularly and routinely incorrect. By the contractors own admission, their operatives report that repairs have been completed, or appointments kept when, in fact, they are not. The satisfaction survey is flawed in a number of ways, not least because the survey excludes those that have not had a repair recently completed.
- 17.3** The sub-committee has come to this conclusion on the basis of the considerable amount of evidence gathered during this scrutiny process, which should be taken as a whole. However, the sub-committee puts particular weight on the following findings:
- The interim results from the newly commissioned repairs survey which show significantly lower levels of satisfaction, appointments kept, etc, than are shown in the KPIs
 - The stark admission of the contractors themselves that the KPIs are not based on reliable information.
 - The HQN Report's assessment of Southwark Housing Repairs as a zero star service
 - The high proportion of missed appointments found during the listening in exercise on in-bound calls to the repairs hotline
 - The high proportion of calls left incomplete, but reported by the contractors as complete, found during the listening in exercise.
 - The high proportion of respondents to the satisfaction survey who stated that their repair was not complete, even though the survey is supposed to only include those who have recently had a repair completed
 - The evidence of mis-reporting of the completion of work and attendance at appointments by contract operatives found during the case-tracking process
 - The fact that Southwark and the contractors agreed, after the contract was signed, not to implement the profit adjustment mechanisms based on the KPIs. The reason for this, by officers' own admission, has been "the difficulty of measuring the KPI's in a way that actually reflects the service being provided"
 - The fact that officers have already made changes to two of the KPIs (overall satisfaction rating and appointments made and kept) pre-empting this report.
- 17.4** So extensive and apparent is the evidence that Southwark's KPIs are unreliable and inaccurate, it is very surprising that the system has been allowed to continue in its current form for so long. A culture has developed at Southwark in which the key performance indicators have ceased to be an effective tool for managing contractor performance. The KPIs are used to compile performance reports which are examined by the senior management team, and yet, the information is so unreliable, it is unlikely to assist senior managers in identifying areas of weakness. KPIs have often been used for boosting the reputation of the Council among tenants and the local government community, and convincing members that the service is performing strongly. KPIs have been regularly put before councillors and tenants in recent years in order to refute accusations of poor performance. Southwark has even gone so far as to claim awards based on the KPIs.

- 17.5** Whether or not officers have known or suspected that their KPIs were inaccurate is a moot point. Until this scrutiny process began Southwark was operating a “don’t ask, don’t tell” policy with regard to their accuracy. This has had a hugely detrimental effect on the quality of the service which is being provided to tenants. Contractor performance has been allowed to drift to the point where missed appointments are commonplace and repairs are left cancelled or incomplete. This cannot be allowed to continue.
- 17.6** The sub-committee also feels that the contractors, Morrisons and SBS, need to take more responsibility for the accuracy of the KPIs. They are currently far too “hands off” in the management of their operatives behaviour in reporting KPI information. A primary reason often given for outsourcing public services is that the private sector has far better people management skills than the public sector. The sub-committee felt that Southwark’s repairs service is not currently benefiting from this often cited advantage and this needs to change.
- 17.7** Based on these observations the sub-committee wishes to make a number of recommendations which would improve the accuracy of the KPIs *and* encourage a more challenging performance management regime for SBS and Morrisons.

Recommendations

Culture change in Housing Repairs

1. There needs to be a new culture of openness and transparency between officers, members and tenants with respect to the Housing Repairs Service. Some of the information presented by officers to the sub-committee at the outset of the scrutiny process painted a very positive picture of the repairs service – a picture which has been found to be inaccurate. Officers at all levels should be encouraged to be open and frank about the state of the housing repairs service.
2. Key performance indicators should be primarily used as a tool for producing improvement in the repairs service. Since September 2008, when the new system was introduced, KPIs appear to have been used, in the main, to project a positive image of the service to members and tenants. This “presentational” approach needs to come to an end. A significant example of the “presentational” approach to KPIs is the award which Southwark applied for and won in November 2008 based on “new benchmarking information”. Acceptance of awards such as these needs to be carefully considered and based on sound performance information. Given what has been discovered through this scrutiny process, this is clearly not the case for Southwark’s award in 2008.

Consequently, the sub-committee recommends that Southwark should not apply for such awards in the future unless the application is based on reliable performance data.

3. It has become clear that a key body in the management of performance information is the “core group” made up of senior officers and representatives from the contractors. The sub-committee suspects that some of the problems that have been uncovered and dealt with had the core group taken a more challenging approach to the quality of contractor performance. To encourage this approach, the sub-committee recommends that the Cabinet Member for Housing should become a member of the core group
4. A representative from Tenants Council should also sit on the Core Group.

Getting a clearer picture of real performance

5. The KPI system needs to follow repairs from start to finish. A single reference number should be given to each newly reported repair and that number should be used as a reference until the repair is *fully* complete.
6. Call centre operatives should be trained to raise “call backs” to all repairs which relate to a continuation of an existing problem. So, for example, if a tap has been reported as fixed but the customer calls back and says it has started leaking again, the operative should ask contractors to return to the property under the original repair reference number. The KPIs should reflect this as a single repair.
7. Currently, if a window has been damaged, the contractor can attend, board it up and then report the repair as complete. The listening in exercise showed several examples of the contractor doing this, then promising to return but failing to do so. To prevent this from happening, temporary repairs should not be reported as “completed repairs”.
8. Appointments made and kept should no longer be measured through the iWorld system operated by individual contractor operatives. This scrutiny has found that some operatives are routinely reporting that they have attended an appointment when they have not. Instead this KPI should be measured through the satisfaction survey.
9. The completion of repairs should no longer be reported solely through the council iWorld system. Instead this should be replaced by a system which allows the customers to verify whether or not the call is complete. When the job is complete the contractor should report this using his/her mobile device as they do now. As soon as the contractor reports a job as complete a text message should be automatically sent to the customer requesting confirmation to the housing department that the repair is complete. If the customer replies “Yes” or fails to respond within a set period the call is confirmed as complete. If the customer responds by saying the repair is not complete, a housing department call centre operative should then phone the customer, verify the situation and, where necessary, re-open the repair. Representatives from SBS and Morrisons have confirmed that such a system is realistic, affordable and could be implemented through partnership with the council.
10. The method of collecting statistics for customer satisfaction needs to be fundamentally changed. The following changes should be made to the satisfaction survey:
 - a) The practice of asking for a rating of the service between 1 and 5 and assuming that anything above 3 is satisfied should no longer be used. The satisfaction survey should be conducted according to polling industry standards by giving the options Very Good, Good, Poor, Very Poor. Only counting those who said the service was “Good” or “Very Good” should be treated as satisfied for the purposes of this KPI
 - b) The practice of only surveying people who have had recently completed repairs should end. Instead, all tenants for whom the target completion date of their repair has passed should be surveyed.
 - c) Call centre operatives conducting the survey should be empowered to refer continuing problems with a repair back to contractors. So, for example, if the officer conducting the satisfaction survey discovers during their conversation with the tenant that contractors have not turned up for an appointment, they should be able to re-open the call, book a new appointment and insist that operatives return to complete the repair.

The housing repairs contracts

11. Southwark is currently failing to implement any of the financial incentives, calculated according to the KPIs, contained within their housing repairs contracts. As a result neither of the contractors has any financial incentive to improve their performance. The sub-committee accepts advice from officers that the incentive system contained in the contracts has not been implemented due to technical difficulties and a realisation by all three parties that some of the minimum targets are unachievable in the short term. This is a very unfortunate state of affairs, but it should not be an excuse to have no incentives whatsoever.

If it is possible for all parties to depart from their contracts and agree that no financial incentives should be implemented, it should be equally possible for all parties to agree a new and realistic performance management regime which incentivises the contractors to meet minimum levels of performance.

In the spirit of partnership which all parties have expressed their belief in during this scrutiny process Southwark Council, SBS and Morrisons should negotiate a new performance management regime.

12. Inaccuracies in reporting of complete repairs appear to lead to Southwark paying for more work than is in fact being carried out. Under the current system Southwark has to raise a default notice in order re-order repair work which has been reported as completed at zero cost. The sub-committee is not convinced that enough default notices are being issued to discourage poor performance. Further to recommendations 5 and 9, Southwark should introduce a policy of raising a default notice for *all* incomplete repairs which the contractor has reported as complete.

Contractor management of operatives

13. The sub-committee recognises that contractor operatives do a difficult job in often testing circumstances. The sub-committee believes that many contractor operatives report their attendance at appointments and the completion of work in a scrupulous and honest manner. However, it is impossible to ignore the widespread evidence gathered through this scrutiny process of misreported performance information which could only have come from contract operatives. It is therefore vital that SBS and Morrisons make it clear to their employees that mis-reporting information in this way is completely unacceptable and will lead to serious disciplinary action where it is found to have occurred. Through the "Core Group" Southwark Council should insist that both SBS and Morrisons:

- implement a thorough training programme for all of their supervisors and managers working on the Southwark contract on administering disciplinary procedures against operatives who have been found to have misreported repairs information.
- senior contractor managers should make clear to operatives, through whichever means are deemed most effective, that there will be a zero-tolerance policy on the mis-reporting of repairs information.

Further Review and Overview

14. The sub-committee recommends that the implementation of the recommendations of this sub-committee should be reviewed after 6 months.

Item No:	Classification: OPEN	Date: 7 February 2011	Meeting Name: Overview & Scrutiny Committee
Report Title:		Call-in: Gateway 2 - Contract Award Approval - Home Care Services In Southwark (Cabinet 25 January 2011)	
Ward(s) or Group affected:		All	
From:		Head of Overview & Scrutiny	

BACKGROUND INFORMATION

1. On 25 January 2011 the cabinet and leader considered a report on the Gateway 2 - Contract Award Approval - Home Care Services In Southwark (included as appendix).
2. The cabinet agreed:
 1. That the award of home care service contracts to the following suppliers for a period of 3 years from 6 April 2011 with an estimated cost between £10,813,500 and £30,680,688 be approved. (Contract costs are based on calculations explained in paragraphs 8 - 12 of the report).

Contract	Supplier Name
Universal Contract 1	London Care
Universal Contract 2	Enara Community Care
Specialist Contract 5 – Continuing Drinkers and Acquired Brain Injury	Enara Community Care

2. That there be no contract award for the third universal contract, as based on current trends, the council does not consider there will be sufficient demand for council-arranged care to meet the guaranteed minimum hours for three contracts.
3. That there be no contract award for the older adult support in Southwark (OASIS) service and the intermediate care and neurological-rehabilitation (neuro-rehab) service as the bids for these services are not affordable. (Alternative service options were discussed in the report).
3. The leader agreed:
 4. That delegated authority be given to the cabinet member for health and adult social care to approve up to 2 single year (1 + 1) extension options that can be operated at the end of the initial term of the contract subject to satisfaction with each supplier's performance and demand for services

REASONS FOR CALL-IN

4. On 2 February 2011 the Chair of Overview & Scrutiny Committee - Councillor Lisa Rajan - and three members of the committee (Councillors David Hubber, Tim McNally and Paul Noblet) requested a call-in of the decision on the following grounds:

“The link between strategy and implementation has not been maintained, and the outcome of this decision is disproportionate to the action taken:

1. The decision contradicts the Council's agreed policy of protecting services for vulnerable people, as stated in A Fairer Future for All in Southwark, because it did not let two of the specialist contracts and does not give a satisfactory explanation of how these needs will be alternatively and adequately met.
2. The decision advocates two compromises on quality of care that will adversely impact on vulnerable people, contrary to the Council's agreed policy in A Fairer Future For All in Southwark.
3. Letting only two out of the three main contracts leads to increased risk for the Council if one of the contractors experiences problems with quality, CQC rating or service delivery.”

CALL-IN MEETING

5. The committee will consider the call-in request and in particular whether or not the decision might be contrary to the policy framework or not wholly in accordance with the budget.
6. If, having considered the decision and all relevant advice, the committee is still concerned about it then it may either:
 - a) refer it back to the decision making person or body for reconsideration, setting out in writing the nature of its concerns, or
 - b) refer the matter to council assembly if the decision is deemed to be outside the policy and budget framework.
7. If the committee does not refer the matter back to the decision making person or body, the decision shall take effect on the date of the scrutiny meeting.

BACKGROUND DOCUMENTS

Background Papers	Held at	Contact
Report to Cabinet 25 January 2011	160 Tooley Street London SE1 2TZ	Everton Roberts Constitutional Team 020 7525 7221

APPENDICES
Cabinet report

Audit Trail

Lead Officer	Shelley Burke, Head of Overview & Scrutiny	
Report Author	Peter Roberts, Scrutiny Project Manager	
Version	Final	
Dated	1 February 2011	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / EXECUTIVE MEMBER		
Officer Title	Comments Sought	Comments included
Communities, Law & Governance	No	-
Cabinet Member	No	-

Item No. 14.	Classification: Open	Date: 25 January 2011	Meeting Name: Cabinet
Report title:		Gateway 2 – Contract Award Approval Home Care Services in Southwark	
Ward(s) or groups affected:		Vulnerable people receiving a home care package following a Community Care assessment in Southwark	
Cabinet Member:		Councillor Dora Dixon-Fyle, Health and Adult Social Care	

FOREWORD - COUNCILLOR DORA DIXON-FYLE, CABINET MEMBER FOR HEALTH AND ADULT SOCIAL CARE

1. The Home Care contract re-tendering process, originally started in April 2008, recognises the importance that service users, many of whom are vulnerable, place on this valuable service. The report also recognises the current economic climate following the Government's emergency budget in June 2010, the subsequent Comprehensive Spending Review announced in October 2010, and the change that the personalisation agenda will have.
2. Bringing together a number of smaller contracts (18) into larger ones (3) will make for better value for money, develop stronger and closer working relations with providers and ensure robust monitoring and reviewing of services provided thus leading to a greater focus on meeting the needs of our clients.
3. A dedicated team within Health and Social Care will be established to provide reassurance, a reliable and consistent point of contact to service users and their families to ensure a smooth handover of contracts. In addition a specialist monitoring team within the department will be developed to ensure effective monitoring of overall quality, the safeguarding of vulnerable users and the councils equality agenda.

RECOMMENDATION

Recommendations for the Cabinet

4. That Cabinet approve the award of Home Care Service contracts to the following suppliers for a period of 3 years from 6 April 2011 with an estimated cost between £10,813,500 and £30,680,688. (Contract costs are based on calculations explained in paragraphs 8 - 12 of this report).

Contract	Supplier Name
Universal Contract 1	London Care
Universal Contract 2	Enara Community Care
Specialist Contract 5 – Continuing Drinkers and Acquired Brain Injury	Enara Community Care

5. That Cabinet agrees there will be no contract award for the third universal contract as based on current trends, the Council does not consider there will be sufficient demand for council-arranged care to meet the guaranteed minimum hours for three contracts.

6. That Cabinet agrees that there will be no contract award for the Older Adult Support in Southwark (OASIS) service and the Intermediate Care and Neurological-rehabilitation (Neuro-rehab) service as the bids for these services are not affordable. (Alternative service options have been discussed in this report).

Recommendation for the Leader of the Council

7. That the Leader of the council delegates authority to the cabinet member for Health and Adult Social Care to approve up to 2 single year (1 + 1) extension options that can be operated at the end of the initial term of the contract subject to satisfaction with each supplier's performance and demand for services.

CONTRACT COST CALCULATIONS

8. Universal services have minimum guaranteed hours for years 1, 2 and 3, of 200,000, 150,000 and 100,000 hours respectively. The hours for years 4 and 5 have been calculated at a minimum of 100,000 hours as any extension would be granted on the terms applicable in year 3.
9. The total minimum contract value over 5 years is based on one year at 200,000 hours, one year at 150,000 hours, and three years at 100,000 hours.
10. The maximum contract value has been calculated on estimated hours per annum of 846,363 (which is consistent with scenario planning figures from the Personalisation projects). This has been used across all 5 years of the contract.
11. For the universal services the annual sum is the composite average over the first 3 years based on the minimum and maximum calculations set out above.
12. The cost of the contracts for the first three years ranges from £10.8M to £30.7M. If the extensions are agreed, this will be at an estimated cost of £2.5M to £10.55M per one year extension.

BACKGROUND INFORMATION

13. This is a re-tendering of Home Care cost and volume contracts in Southwark and seeks award of contracts for two Universal Contracts and one Specialist Contract for Continuing Drinkers and Acquired Brain Injury for an initial three-year period.
14. These contracts have a specific extension duration period of two single years (1 + 1) built into the contract (a maximum total extension of two years). Contract extensions will be reviewed annually and be subject to performance and demand for the services.
15. The Gateway 1 report was agreed in April 2008. The following changes have occurred since this report was agreed:
 - a. The Decision Maker has been adjusted to the full Cabinet in recognition of the importance of home care provision to vulnerable service users.
 - b. To ensure affordability of the contracts, the tender approach was revised following completion of the ITT stage in 2010. The following changes were made:
 - i. The quality threshold was adjusted from 60% to 54%.

- ii. Bidders who met the revised quality threshold were invited to review their bid (Council was seeking better prices).
 - iii. The quality to price ratio in the final evaluation was adjusted from 50/50 to 70/30 in favour of price.
 - c. That only two universal contracts will be recommended for award rather than three in recognition of the impact of personalisation on council arranged care.
16. In the wider context, significant changes in the budget were signalled in the June 2010 emergency budget announcements and confirmed in the October 2010 Comprehensive Spending Review. These changes equate to a reduction of approximately 28% in funding for the Council and these contracts will contribute to delivering the required savings.
 17. Contract prices are not index linked, however, tenderers were requested to provide a price for each of the three years of the contract from which a composite pricing has been obtained. Pricing bids from tenderers increase over the three years, reflecting tenderers modelling of business over this time. The remaining two years of the contracts (the extension periods) have been calculated based on the rates and terms applicable at Year 3.
 18. Contracts will all be borough wide. There will be two universal contracts (awarded to separate providers) and one specialist contract. The universal contracts are for Home Care services that provide practical help and support with essential daily tasks to people at home, which they are unable to manage safely for themselves. The specialist contract is for a Home Care service that will provide enhanced help and support.
 19. The universal contracts have guaranteed minimum hours per contract of 200,000 hours in Year 1, 150,000 hours in Year 2 and 100,000 hours in Year 3. This is consistent with expected changes to demand resulting from personalisation and a greater focus on re-ablement. There are no hour guarantees in the specialist contract but the provider is expected to support a minimum of 40 people.
 20. There is a risk that if a number of service users elect to take up a Personal Budget, the amount of ordering through these contracts may be even less than anticipated. For this reason, only two contracts will be let and usage will be closely monitored and an ordering protocol followed to ensure minimum guaranteed hours are met.
 21. The procurement process initially commenced in April 2008 but experienced some difficulties. The process was suspended and a review carried out. The results confirmed that part of the process was not in line with best practice and increased the risk of challenge to the Council. It was decided that the tender stage of the process be conducted again.
 22. After revising the methodology and documentation surrounding the process the tender process recommenced in November 2009. At the conclusion of this process contracts were found to be unaffordable and following legal advice a further step was introduced which enabled the Council to request a better price from tenderers.
 23. All the existing cost and volume contracts expire on 5 April 2011 and have been re-tendered in accordance with good practice and the requirements of Contract Standing Orders.
 24. In order to comply with good practice for consultation on Transfer of Undertakings (Protection of Employment) Regulations (TUPE) and to facilitate a smooth transition to the new contracts, it has been agreed that further extensions to current contracts, up to a maximum of 4 months will be given to allow a phased service transfer.

Timetable of procurement process followed – Procurement project plan (Key Decision)

Table 1 – Procurement Plan

Activity	Completed by:
Approval of Gateway 1: Procurement Strategy Report	08/04/2008
Pre Qualification Questionnaire (PQQ) issued to 29 bidders	25/04/2008
PQQ stage complete – 18 bidders selected	01/06/2008
First Invitation to tender (ITT) and Evaluation process complete	02/12/2008
Assessment of tender process – concluded re-run tender is necessary	13/02/2009
New ITT documentation and evaluation methodology produced	25/11/2009
Invitation to tenders	04/12/2009
Closing date for return of tenders	22/01/2010
Completion of verification process (interviews, reference checks etc)	25/03/2010
Completion of evaluation of tenders	07/06/2010
Tender approach revised due to affordability, all bidders advised	20/08/2010
Closing date for representations on revised approach	03/09/2010
Qualifying bidders invited to re-submit, non-qualifying bidders stood down	10/09/2010
Closing date for return of new bids	13/10/2010
Tenders re-scored and re-evaluated	20/10/2010
DCRB/CCRB/ Review Gateway 2: Contract award report	23/12/2010
Approval of Gateway 2: Contract Award Report	25/01/2011
Scrutiny Call-in period and notification of implementation	04/02/2011
Stand still period	18/02/2011
Contract award	18/02/2011
End of TUPE consultation period	13/05/2011
Contracts start	16/05/2011
Publication of OJEU Contracts Award Notice	Within 48 days of contract award

Description of procurement outcomes

25. Through this procurement the Council will achieve several outcomes to address unmet need in current service provision. These are:
 - a. To link costs more robustly with quality.
 - b. To obtain better value for money for the Council by seeking lower unit costs for basic domestic support to vulnerable people, such as shopping and laundry, than that paid for more complex personal care and administration of medication.
 - c. To introduce a flatter pricing structure based on standard hourly rates, hours supplied, antisocial hours enhancements, etc.
 - d. To increase levels of expertise and integrated working to meet needs of service users requiring specialist care (people with acquired brain injury and continuing drinkers).
 - e. To provide borough wide services enabling effective matching of service users and suitable care staff.
 - f. To reduce the number of care providers contracting with the council to help guarantee better price and quality.
 - g. To ensure contracted providers use modern monitoring technology, by which the actual time that care workers spend at service user's homes will be electronically recorded.
 - h. To reduce the number of guaranteed hours enabling Home Care provision to respond to policy developments and reshape services in line with the Personalisation Agenda.
 - i. To manage contracts in partnership with providers and maintain service quality and a focus on meeting service user's outcomes.

KEY ISSUES FOR CONSIDERATION

26. The Council will need to work in partnership with contract providers to ensure the most efficient use is made of these contracts and ordering will be closely managed.
27. The reduction to two universal and one specialist contracts (from the current eighteen) and the updating of contracts to reflect a greater focus on outcomes will require a different approach to management. Key elements of this include:
 - a. Developing a bespoke monitoring framework to maximise quality, address performance issues and enable continuous improvement.
 - b. Developing strong working relationships with individual providers which follow a partnership approach to contract management.
 - c. Developing an ordering protocol to ensure that minimums are met, and that hours above the guaranteed minimums are arranged in the most cost effective way, taking into account service user choice and availability.
 - d. Providing regular reports and carrying out reviews of contract performance through the contracts governance arrangements and the Senior Management Team.

Policy implications

28. The demand for Home Care provision is expected to reduce over the life cycle of these contracts as Personalisation takes effect. It is expected that people who receive support, whether provided by statutory services or funded privately, will explore a variety of options to meet their needs. Service users will still be able to obtain home care services through these contracts if they choose to do so. However, the annual reduction in minimum guaranteed hours provides flexibility and enables the Council to promote service user choice and control while reducing financial risk to the Council.

Tender overview

29. Home Care is a 'Part B' service so the Council was not required to follow the full European Union Regulations in respect of publishing a notice in the Official Journal of the European Union (OJEU). However, in line with best practice, the principles of openness, transparency and non-discrimination were adhered to.
30. A Project Board has been set up to oversee the tender and changeover to new contracts.
31. The quality of tender submissions was measured against the following criteria:
- a. Resources and ability to deliver the contract specification.
 - b. Quality control and ability to provide consistent high standard of service delivery.
 - c. Partnering and collaborative working and ability to deliver Council objectives.
 - d. Service user satisfaction and ability to achieve and maintain service user satisfaction.
32. The pricing evaluation was based on a model that was developed to test the whole-life cost of the contract based on previous spending patterns and modelling of future demand. A schedule of rates was provided by bidders, for each of the three years of the contract. This enabled an average hourly rate to be calculated based on this model and scored in accordance with the pricing methodology.
33. The evaluation process allowed for an assessment of quality and pricing based on a weighted model.
34. The Contract Award criteria stipulated that bidders with the highest combined score based on cost and quality would be accepted to be the 'most economically advantageous tender' (MEAT) and recommended for award.
35. A full description of the process and results are outlined in a background document so the following sections provide a summarised version of the tender process and evaluation.

Tender process

36. A restricted tender process was followed and 41 providers known to Southwark Council were invited to complete Pre-Qualification Questionnaires (PQQs). Following the PQQ stage 18 providers were short-listed.
37. All the providers were regulated and approved for use by the Care Quality Commission (CQC), and the procurement process robustly assessed their organisational viability.

38. An Invitation to Tender (ITT) was issued on 4th December 2009 to the 17 providers still in compliance with the PQQ and during the tender submission period, a clarification process was put in place to deal with questions received from bidders.
39. Fifteen of the 17 providers submitted bids by the deadline of 22nd January 2010. Two providers declined the Invitation to Tender.
40. Bids were opened in the presence of officers from the Communities Law & Governance Department to ensure compliance. Submissions were received for the following contracts.

Table 2 – Number of bids per category

Category	Description	Number of Bids
Universal Contracts 1-3	Generic Home Care	14
Specialist Contract 4	Older Adult Support in Southwark (OASIS)	9
Specialist Contract 5	Continuing Drinkers and Acquired Brain Injury	4
Specialist Contract 6	Intermediate Care and Neurological-rehabilitation (Neuro-rehab) Service	8

Tender Evaluation

41. In February 2010, three Tender Evaluation Panels (TEP) were set up to assess the tender submissions received. The panels were:
 - a. A Universal TEP which conducted quality assessments for the universal services.
 - b. A Specialist TEP which conducted quality assessments for the specialist services:
 - i. Older Adult Support in Southwark (OASIS) service.
 - ii. Continuing Drinkers and Acquired Brain Injury service.
 - iii. Intermediate Care and Neurological-rehabilitation (Neuro-rehab) service.
 - c. A Pricing TEP which completed calculations to determine scores on pricing for all contracts.
42. The TEPs carried out their initial assessment of the submissions and clarification questions were sent out where there were ambiguities, uncertain commitments or conflicts with other information available (for example Care Quality Commission assessments, quality risk alerts or references).
43. On receipt of the clarifications, the TEPs read and evaluated the bidders written responses. This led to some minor adjustments of the quality assessment scores based on the information submitted.
44. In addition to pricing and quality clarifications, a challenge session was hosted by project board members in April 2010 to ensure the criteria had been followed consistently and that there was consensus on the scores.
45. The project board were satisfied with the process so the quality and pricing evaluations were combined and the final cost implications of the contracts was calculated.

Extra Tender Step

46. In light of the Governments emergency budget that signalled significant reductions in funding, the overall cost of contracts was found to be unaffordable. It was agreed that if possible the tender should continue and following legal advice a further stage to the tender was introduced.
47. On 20 August 2010, the 15 remaining bidders were advised about the revised tender approach which made the following adjustments:
 - a. The price and quality weighting was adjusted from 50/50 to 70/30 in favour of price.
 - b. The quality threshold was reduced to 54% (from 60%). Although this was reduced, it was considered that the level was still sufficiently high to ensure quality services will be delivered.
48. On 9 September 2010, the 11 bidders who met the revised quality threshold (for 21 contracts) were invited to resubmit their bid. The remaining four bidders who did not meet the revised quality threshold were not invited to re-submit.
49. The 11 bidders who met the revised quality threshold had the option to:
 - a. resubmit their pricing schedules, and
 - b. resubmit any quality method statements that had been updated (where changes had a demonstrable link to a pricing reduction), or
 - c. confirm they were not updating either their pricing, quality or both.
50. Closing date was set at 13 October 2010 to give sufficient time for bidders to respond. Originally, the return date was two weeks earlier, but this was revised in response to requests from tenderers. This deadline enabled smaller organisations who have more limited resources (and therefore need more time) to be able to participate.
51. Answers to questions raised at individual meetings or provided in writing were circulated to all bidders participating in the extra tender step.
52. Of the 11 bidders, 9 updated their pricing schedules, one advised of a typographical error in their previous submission and one made no changes at all. No bidder made any changes to their quality method statements.

Table 3 – Number of updated bids received per category

Category	Description	Number of Updated Bids
Universal Contracts 1-3	Generic Home Care	8
Specialist Contract 4	Older Adult Support in Southwark (OASIS)	5
Specialist Contract 5	Continuing Drinkers and Acquired Brain Injury	2
Specialist Contract 6	Intermediate Care and Neurological-rehabilitation (Neuro-rehab) Service	4

53. The same pricing TEP scored the revised submissions. The typographical error in the first bid submission from one provider was amended in the scoring calculator, resulting in the bid being rescored. The bid that had not been updated had their original score carried over.
54. Bids were then re-evaluated according to the new weighting of 70% for price and 30% for quality.

Review of guaranteed minimum hours

55. At the final stage of the tender process further information related to the uptake of individually managed personal budgets became available. This demonstrated a significant take-up of individually managed personal budgets during transition in other boroughs where there had been a re-procurement of home care services.
56. Based on this information the council does not consider the guarantees across three contracts are achievable. If guarantees could not be met, the council would be liable to pay for the hours even if the care was not required to be delivered.
57. The council therefore wrote to all bidders for the universal contracts and advised them of the proposal to let two contracts rather than three and time was provided to respond. Some views were received and have been responded to.

Universal Contracts

58. The two top ranking providers for the universal contracts are London Care and Enara Community Care.
59. They are recommended for contract award based on having the best combination scores for quality and price, having passed the minimum quality threshold.
60. The scores in the table below are the weighted scores at 30% for quality and 70% for price.

Table 4 – Universal Contracts

Rank	Provider	Weighted Quality Score (maximum score of 30%)	Contract 1	Contract 2	Contract 3	Combined Score		
			('Lot 1' in tender documents) Score	('Lot 2' in tender documents) Score	('Lot 3' in tender documents) Score	Lot 1	Lot 2	Lot 3
1.	London Care	20.28	53.2	53.2	53.2	73.48	73.48	73.48
2.	Enara Community Care	17.22	51.8	51.8	51.8	69.02	69.02	69.02

Specialist Contracts for Older Adult Support in Southwark (OASIS), and Intermediate Care and Neurological-rehabilitation Service

61. The evaluation criteria outlined that pricing for the specialist contracts would be scored out of 50, with £11.00 being equal to 50 points and £15.00 or more being equal to zero points. The price range was considered reasonable based on benchmarking carried out prior to the tender commencing. No bids for these contracts were within this price range.
62. The recommendations for Contract 4, Older Adult Support in Southwark (OASIS) and Contract 6, Intermediate Care and Neurological-rehabilitation (Neuro-rehab) Service are that no contracts are awarded on the basis that these are not affordable.

63. Given the size of these two contracts, it was hoped that a more competitive price would be obtained through the introduction of the extra tender step but results were still outside this range.
64. Alternative provision has been identified for the Intermediate Care and Neurological-rehabilitation Service. This is a short-term service (6 weeks) that primarily offers a re-ablement service. The current pilot re-ablement service can take on new referrals and commissioning proposals will examine additional requirements to ensure the needs of these groups are met. Alternative service delivery models for the OASIS service will also be examined as part of the commissioning proposals for re-ablement services.

Specialist Contract 5 – Continuing Drinkers and Acquired Brain Injury Service

65. Enara Community Care, having met the minimum quality threshold, offers the best combination score based on quality and price for the Continuing Drinkers and Acquired Brain Injury Service.
66. The evaluation criteria outlined that pricing for the specialist contracts would be scored out of 50, with £11.00 being equal to 50 points and £15.00 or more being equal to zero points. While the best bid for this service is above the identified range, the service is considered affordable based on consideration of the overall contract price set against reduced uptake of more expensive or longer-term services, such as higher long-term packages and increased risk of hospital admissions.
67. A recent cost benefit analysis confirmed this service delivers considerable savings in comparison to the cost of delivery. Given the size of the service and the overall value for money it is recommended for contract award.

Table 5 - Continuing Drinkers & Acquired Brain Injury Service

Rank	Organisation	Weighted Quality Score	Pricing Score	Combined Score
1.	Enara Community Care	19.86	0	19.86

Plans for the transition from the old to the new contract

68. A transition plan has been developed to provide a phased transfer to the new contracts. Once Contract Award has been agreed, a series of meetings with all current providers and the new contract providers will be carried out. These meetings will be used to agree the timetable for transition and discuss key issues such as TUPE, communications and contract management as applicable.
69. Work is already underway to prepare for the transition, including activity to develop a bespoke monitoring system, identification of high risk service users, implementation of a full communications plan, and consideration of an electronic monitoring system interface.
70. The communications strategy is being implemented with support from Corporate Communications to ensure the effective handling of all communications. Service users will be advised about the tender and the Council will continue to ensure they are fully informed and have an opportunity to discuss any concerns they may have.

71. The Council is committed to personalisation and will ensure that service users are advised about Personal Budgets so they can exercise control and choice over their care arrangements.
72. A dedicated team within Health and Social Care will be established to provide a consistent and accessible point of contact for service users, and their families or people who support them.
73. The communications strategy will ensure clear and reassuring messages are relayed to service users and their families. After contract award, this will include notification about any change of provider, a handover date, and how the Council will ensure a smooth transition of homecare provision. As all tenderers have current contracts, some service users will not be affected by the changes.
74. The strategy includes advice to incumbent and new providers to ensure they are fully compliant regarding appropriate communications to service users and that security of information is upheld.
75. The transition will be phased so that each provider can manage staff and service user transfer effectively. Approval has been obtained to extend contracts as required for up to a further 4 months after 5 April 2011 to manage the transition.
76. The Home Care Project Board will oversee the planning and implementation of the transition.

Plans for monitoring and management of the contract

77. The contracts will be managed and monitored by teams in Adult Commissioning, Health and Social Care. Designated contract monitoring officers will establish close links with staff in the commissioning and brokerage teams to ensure that an effective strategy is in place to control ordering of services. This will include a robust system to control ordering once minimum guaranteed hours have been met that will enable the Council take advantage of the most competitive rates.
78. A bespoke monitoring system is being developed for these contracts. This will enable effective monitoring of:
 - a. Outcomes for service users.
 - b. Safeguarding.
 - c. Contract outputs.
 - d. Complaints.
 - e. Overall quality.
79. All contract providers must be registered with the Care Quality Commission (CQC) and meet the new outcomes-based standards of quality and safety.
80. A partnership approach, supported by the contract governance arrangements, will be taken to manage the contracts, with a focus on good communication, maintaining quality, meeting service user's outcomes and ensuring contracts are managed effectively.

81. Monitoring will ensure that contractual terms are adhered to, quality is maintained and the safeguarding of vulnerable users of the service is kept paramount. These assurances are carried out through the Department's safeguarding and "quality alert" procedures.
82. Once the minimum guaranteed hours for each contract are met, the Council will place new packages taking into account service user choice, the unit cost, and availability. This approach will balance the need to be financially prudent with promoting control and choice for service users.
83. Electronic Monitoring Systems (EMS) will be in place at the start of the contracts and this will provide accurate information about the delivery of homecare so that invoicing closely relates to actual care provided. This will also help guide care managers and social workers to ensure packages are appropriate to the service users needs.
84. As there will be fewer contracts to be monitored officers will be able to work more closely with providers, establishing relationships based on partnership working and pro-active management.

Performance bond/Parent company guarantee

85. A performance bond was not needed for these contracts because the Council's solicitors have assessed the financial risk for the lifecycle of the home care contracts as low. A Parent Company Guarantee has been provided by bidders where it applies.

Community impact statement

86. The services being procured will be provided to people affected by all six strands of the Council's equality agenda as care is provided to members of the community according to need and the rich diversity of Southwark residents will be reflected in those requiring care.
87. Under CQC registration all Home Care providers included in this procurement are required to proactively demonstrate their commitment to equal opportunities, and have been assessed to ensure that they have a satisfactory record in relation to diversity.
88. The universal services and the specialist service will be able to meet a wide range of needs sensitivity.
89. Agencies at the PQQ stage were asked to provide evidence of their Equal Opportunities policy as well as a practical statement as to how this is implemented in relation to service delivery and work force development.

Sustainability considerations (Including Economic, Social and Environmental considerations)

90. Environmental – home care workers from each of the providers will be expected to use public transport services wherever practical to travel to service user homes in the borough. Staff roster arrangements should be structured to reduce travel between visits. This mitigates negative implications for the local environment in terms of CO2 emissions.
91. In addition, the use of an electronic monitoring system will reduce reliance on paper records and embed the current 'one invoice' approach.
92. Social – the opportunity to tender was extended to any provider registered in the Borough. There was a high proportion of voluntary, BME and disability specialist groups amongst those invited.

93. Economic – providers recruitment policies target local people, contributing to the economy of the borough.

Market considerations

94. The successful tenderers:
- a. are either private or not for profit organisations and are registered with the Care Quality Commission (CQC)
 - b. One has fewer than 50 employees
 - c. One has between 50 and 250 employees
 - d. Both have a regional area of activity
95. The Gateway 1 Report noted the market was flooded. It was therefore agreed to proceed with a restricted tender and forty-one providers were invited to participate in this procurement.
96. The opportunity to tender was extended to any home care agency registered as based in Southwark and to all existing contracted home care providers. A benchmarking exercise with a number of London boroughs conducted by Health and Community Services (H&SC) Commissioners found:
- a. Southwark had a greater number of directly contracted providers than comparative boroughs.
 - b. There was no additional expertise elsewhere not already represented in Southwark.
97. Prior to PQQ stage, all current providers indicated they were interested in tendering for larger contracts with the Council. They stated that larger guarantees of work would enable them to provide better value for money to the Council.

Resource implications

98. The provision of Home Care is linked to the Department of Health's "Fair access to care" and remains a legal duty for the Council to provide. Therefore both Health and Social Care and Children's Services retain core budgets for the purchase of these statutory services. The expenditure has been included in approved revenue estimates in the Health and Social Care Budget.
99. The universal contracts deliver year on year savings against current expenditure. Savings against current expenditure range from an estimated £1,325,250 in Year 1, and £954,750 in Year 2, to an estimated £589,000 in Year 3.
100. The service is demand-led but increased take up of Personal Budgets and a greater focus on re-ablement is likely to reduce demand for contracted home care over the longer term. This may generate savings over the lifecycle of these contracts, but these costs would then be shifted to Personal Budgets.
101. The lower hourly rate achieved through these contracts provides savings when compared with the average hourly rate across the current group of contracts. This saving has been incorporated in budget planning for 2011/12 but as the average unit cost of contracts increases, this will need to be revisited.

102. Benchmarking with other London Boroughs indicates that Southwark's existing supplier market compares relatively well on cost. This procurement will ensure Southwark continues to benefit from a competitive price for services.

Staffing implications

103. This procurement has significant TUPE implications as part of contract award. However these TUPE implications do not directly affect the Council as an employer. The procurement plan has therefore scheduled time to work with incumbent and successful providers, and ensured there is sufficient time for discussion and agreement prior to contract start.
104. All bidders were provided with TUPE information at the ITT stage to factor into their bid submissions. The implications included:
- a. TUPE information provided highlighted potential arrangements under which staff would be transferred to each contract. This information indicated that for providers currently commissioned to provide home care services in Southwark:
 - i. Approximately 1,151 staff are employed either part time or full time.
 - ii. 861 actual home care staff are employed on zero hours contracts, by which they only establish pro rata employment rights depending upon the hours that they work.
 - iii. 194 actual home care staff are employed on fixed contracts focusing either all or a proportion of their work on Southwark service users.
 - iv. The majority of permanent staff on fixed contracts are employed by the voluntary sector.
 - b. Bidders were advised that the Best Value Code in relation to Pensions and the Code of Practice on Workforce Matters in Local Authority Service Contracts was applicable to this tender.

Financial Implications

105. Pressure exists across adults social care revenue budgets for the provision of care services. In 2009/10 £600,000 was identified as a saving target from this retendering exercise. The recommendations will deliver that savings target as well as contribute to the 2011/12 savings plan.
106. Financial implications are covered in the body of this report. It should be noted that savings in year one are higher than subsequent years. Any growth would need to be built into the budget from 2012/13 onwards if volumes commissioned and contract pricing indicate an increase in cost.
107. To ensure savings are delivered, finance officers will continue to work closely with the operational teams and contract management officers to regularly monitor spend activity against budget provision to ensure that:
- a. excess commissioned hours are deployed to the cheapest provider;
 - b. effective cost management techniques are used to control spend throughout the lifecycle of these contracts.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Communities, Law & Governance

108. The Strategic Director of Communities, Law & Governance notes the contents of this report which seeks the approval of the Cabinet to the award of 2 universal contracts and 1 specialist contract for Home Care Services in Southwark to the suppliers named in paragraph 4 of this Report.
109. This service is a Part B service under the Public Contracts Regulations 2006 so there is no requirement to tender these contracts in accordance with the full application of those regulations. It is however necessary for the council to tender the contract in accordance with its own Contract Standing Orders (CSOs), and to comply with the general EU principles regarding transparency and non-discrimination. On the basis of the information contained in this Report Cabinet is advised that the tender process has been conducted in accordance with the council's CSOs and those general EU principles.
110. The council's criteria for the award of these contracts is on the basis of the most economically advantageous tender, details of which are noted in paragraph 31-34 and generally in the report. Paragraphs 58- 66 of this report note the outcome of the evaluation process, and the evaluation panel's view that the tenders recommended for award are the most economically advantageous.
111. No award is recommended for the Older Adult Support in Southwark (OASIS) service and Intermediate Care and Neurological-rehabilitation (Neuro-rehab) service contracts. The cabinet are advised that as part of the tender process, the council reserved the right not to award all or any parts of the contract. The reasons for not awarding these contracts are noted in paragraphs 62-64 of this report.
112. In making these decisions, the Cabinet should satisfy itself that the award of these contracts offers best value.
113. The nature and value of the contracts to be awarded (noted in paragraph 4 of this Report) are such that they are Strategic Procurements under Contract Standing Orders. Approval of the award is therefore required from the Cabinet after taking advice from CCRB. The report was considered by CCRB on 23 December 2010.
114. CSO 4.5.3 requires any possible options to extend the contract to be included as part of the proposed recommendations within the Gateway 2 report and paragraph 5 of this report confirms those options. In accordance with CSO 4.5.3 the Leader is also asked to delegate the decision to exercise those options at a future date, to the Cabinet Member for Health and Adult Social Care. Section 14 of the Local Government Act 2000 (as amended) permits the Leader to delegate this function to a member of the Cabinet.
115. CSO 2.3 provides that a contract may only be awarded if the expenditure has been included in approved revenue or capital estimates or has been otherwise approved by, or on behalf of the Council. Paragraphs 95 to 99 of this Report confirm how the proposed contract will be funded.
116. Advice should be sought from Legal Services in relation to the documentation that is to be used to put in place the contract, the TUPE transfer of staff and the OJEU Contract Award Notice.

Finance Director

- 117. This report asks the cabinet to approve the award of Home Care Service contracts for three years from 6th April 2011.
- 118. The financial implications are fully covered within the main report, it is estimated that the new contract will achieve savings of up to £1,325,250 in Year 1, changes to volumes will reduce these savings to £954,750 in Year 2, and £589,000 in Year 3.
- 119. These savings will need to be reflected in the 2011/12 to 2013/14 budget setting process, and their achievement closely monitored as part of the budget monitoring process.

Head of Procurement

- 120. This report is seeking to award three contracts that will provide a range of homecare services.
- 121. Paragraph 21 confirms that this procurement process was started in 2008, but experienced some difficulties. These difficulties were picked up before the process was completed and a revised process was shaped to secure the best solution for the council. The new contracts were designed to accommodate the personalisation agenda reflecting a predicted reduction in demand with limited guaranteed hours, whilst having the flexibility to accommodate any changes. The tender process captured prices for various volumes of demand to ensure the best rates possible could be secured.
- 122. Paragraph 46 confirms that following the Governments emergency budget announcement, the results of the procurement process were no longer deemed to be affordable. Based on legal advice, a further step in the process was designed and carefully implemented to ensure the integrity of the process was maintained and the Council's position protected. Paragraph 47 describes how the additional step shifted the focus on price whilst maintaining due regard for the quality standard required to deliver these services.
- 123. The final results of the procurement process are mixed with two universal and only one of the three specialist contracts being recommended for award. Paragraph 61 – 64 confirms that two of the specialist contracts are still deemed unaffordable and explains the alternative arrangements that will be in place to deliver these services.
- 124. Para 77 - 84 outlines the monitoring arrangements and describes the benefits of the new monitoring system. There will also be operational changes implemented to support the new contracts. This will include a revised ordering approach with an emphasis on performance and price. These changes will help ensure that the contractual arrangements continue to deliver best value throughout their duration.
- 125. This has been a complex procurement process securing a number of contracts to deliver a range of services. This has been against a backdrop of uncertainty regarding future demand and funding for these services. However with an effective project team set up, service managers worked with technical and legal experts to ensure the procurement process was robust and delivered an affordable solution without compromising on quality standards.

BACKGROUND DOCUMENTS

Background documents	Held At	Contact
Home Care Project Board: Terms of Reference and Minutes	Adult Commissioning - Southwark	Rochelle Jamieson 020 7525 4720
Home Care Risks & Issues Log	Adult Commissioning - Southwark	Rochelle Jamieson 020 7525 4720
Tender Evaluation - Initial Quality and Pricing Assessment	Adult Commissioning - Southwark	Rochelle Jamieson 020 7525 4720
Gateway 1 Report	Adult Commissioning - Southwark	Rochelle Jamieson 020 7525 4720
Gateway 3 Reports	Adult Commissioning - Southwark	Rochelle Jamieson 020 7525 4720
Tender Process and Evaluation	Adult Commissioning - Southwark	Rochelle Jamieson 020 7525 4720

AUDIT TRAIL

Cabinet Member	Councillor Dora Dixon-Fyle, Health and Adult Social Care	
Lead Officer	Susanna White, Strategic Director Health and Social Care	
Report Author	Rochelle Jamieson, Project Manager Home Care	
Version	Final version of the report	
Dated	14 January 2011	
Key Decision?	Yes	If yes, date appeared on forward plan
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director of Communities, Law & Governance	Yes	Yes
Finance Director	Yes	Yes
Head of Procurement	Yes	Yes
Contract Review Boards		
Departmental Contract Review Board	Yes	Yes
Corporate Contract Review Board	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team		14 January 2011

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