

Committee: Resources

Date: 21 November 2002

Agenda Item No: 12

Title: DSO Options Appraisal

Author: John Dickson (01799 510300), Nick Harris (01799) 510313
Diane Burrige (01799 541996), Peter Dickson (01799 510597, Russell Goodey (01799510526)

Summary

1. This report updates Members on the progress made in implementing the recommendations of this Committee in respect of the future arrangements of the DSO.

Background

2. At its meeting on 20 June 2002 this Committee considered a report by the Director of Resources outlining a number of options for the future arrangements of the DSO. The Committee resolved that:

The Director of Resources investigates the following options, with a particular emphasis on (c) below which is this Committee's preferred option, and report back to a future meeting:

- a. transfer one or more client operations back to the DSO
- b. merge one or more DSO services back into their respective client sections
- c. maintain a DSO similar to that currently provided, but with improvements to the monitoring of quality control and the client/contractor relationship.

The possibility of DSO partnership arrangements with neighbouring councils be further explored and a report made to a future meeting of the Committee on any developments

Given the very clear steer from Members at the meeting that they wished for option (c) to be maintained and bearing in mind the tight timescale, officers have concentrated on this option.

- 3 In order to progress these recommendations the Director of Resources set up an officer working party. The working party consists of the Principal Accountant (Chairman), Contract Services Manager, Services Officer (Environmental Services) and Repairs Manager.

The Resources Committee's recommendation concerning partnership working with other councils has not yet been examined by the group and will be the subject of a further report.

- 4 The terms of reference for the group were agreed at the outset with the Director of Resources and broadly fall into two areas:

Improving the client/contractor culture/relationship

Improving the monitoring of quality control

5. The group has met on a number of occasions and has examined each DSO in turn. Particular attention has been paid to the areas where the group felt most improvement was achievable.

6. Housing Repairs

Improving the Client/Contractor Relationship

Relationships are good and include regular monthly meetings to address operational issues. Both client and contractor consider that the frequency is sufficient for their needs for the time being.

The Contracts Manager has the flexibility to increase staff resources to meet increases in demand from the client subject to the current procedures for filling vacant posts.

The DSO undertakes some works on behalf of a housing association but typically the total value is less than 5% of total turnover. This work can be accommodated within the current workforce.

As a trial this DSO is now undertaking clearance of council houses prior to re-let. This work was previously undertaken by the Street Cleansing DSO but due to the need to refocus that DSO's activity on its core contract work, it is appropriate to locate this activity elsewhere. There may be a requirement for additional staff resources in the Housing repairs DSO as a result of this change or alternatively the work could be undertaken by a private contractor and a report will be presented to a future meeting of this Committee.

Improving the Monitoring of Quality Control

To ensure that the quality of work is acceptable and that the cost charged is in accordance with the terms of the contract, the client inspects 15% of

emergency response and urgent jobs and 5% of other works. Currently 92% of all jobs inspected meet the criteria and the client is satisfied with the overall service. The client believes that the inspection rates are adequate at the present time and match the inspection resources available. The client is keen to work in partnership with the DSO in developing the DSO's own quality checks as an aid to performance monitoring and a restructuring of the management of the DSO in the light of an imminent retirement has been designed to assist in achieving this objective.

The client also monitors the response times of contractors both external and the DSO. Currently the information does not differentiate between contractors but the overall position at present indicates that performance is some 8% below target. The Repairs Manager will be developing this indicator to enable the targeting of individual contractors that deliver performance below the benchmark.

The current system for processing the DSO's charges to the client is computerised but there are opportunities for further development that should generate administrative efficiencies. The Contract Services Manager is currently in discussions with IT staff with a view to addressing this issue in the future.

The Contract Services manager in partnership with the client is to investigate the possibility of introducing a vehicle tracking system. This would enable both client and contractor to better manage the response to urgent repair requests that comprises the majority of the DSO's work and monitor job progress.

7 Vehicle Maintenance

Improving the Client/Contractor Relationship

The Environment and Transport Committee at its meeting on 10 September 2002 resolved to extend the current contract until July 2006. The report referred to the "excellent service" provided by an "experienced team".

A significant improvement in relationships has been achieved with the creation of a Team Leader's post in 2000.

The client desires an improvement in the timeliness of invoices but is otherwise satisfied with the service. The contractor will address this concern in partnership with the client.

Improving the Monitoring of Quality Control

Records maintained by the maintenance fitters are the principle focus of client monitoring. This arrangement is satisfactory for both client and contractor.

8 Grounds Maintenance

Improving the Client/Contractor Relationship

All work is undertaken for third parties, the most significant of which is Helena Romanes School for which a permanent full time presence is required. Works at other locations are undertaken by an operative shared with the street Cleansing DSO supplemented by other Street Cleansing operatives when required. So whilst there is no internal client as such, the use of Street Cleansing operatives has an impact on the performance of the Street Cleansing contract. This is examined in greater detail later in this report.

Improving the Monitoring of Quality Control

Not applicable for this report.

9 Recycling Collections

Improving the Client/Contractor Relationship

In 1997 owing to the withdrawal at short notice of the previous contractor, the Council's Contract Services were asked to provide a quotation for a service consisting of one vehicle (to be provided by the client) and four operatives. Since then the service has progressively expanded to four vehicles and ten operatives but until this year payment from the client to the DSO has been pro rata to the original quotation. Extensive negotiations between the client and DSO have resulted in a revised agreement that reflects the expansion of the service. The agreement is designed to allow the DSO to make an adequate return whilst at the same time minimising the cost to the client. It also gives the client a role in the often difficult issue of ensuring an uninterrupted service in the face of sickness and other absences. This is something of a departure from the strictly defined contracts of the former Compulsory Competitive Tendering arrangement that would have previously governed a contract of this type and reflects a partnership approach. It has to be acknowledged however that finding reliable agency staff for this type of work often at short notice is not an easy task.

The Contract Services Manager and the client's Services Officer will be discussing the possibility of introducing an operatives' tonnage bonus in the future.

Improving the Monitoring of Quality Control

To a large extent the service is monitored by householders reporting missed collections. All such reports are forwarded to the DSO for rectification. Whilst this ensures that on a day to day basis problems are dealt with promptly, to enable the Contract Services Manager in targeting areas of particular difficulty summary reports will be supplied by the client on a monthly basis. It should be emphasised that not all collections recorded as missed will be due to a

failure by the contractor, it may be for example that boxes have been in placed obscure locations or later than the required 7 am deadline.

The introduction of a vehicle tracking system as noted above may also bring benefits in round planning and dealing with missed collections.

10 Street Cleansing

Improving the Client/Contractor Relationship

Members will be aware that there is currently a Best Value review of this activity being undertaken which although it has a somewhat different emphasis, is complementary to this appraisal. Scrutiny Committee 2 – Resources and Environment held on 9 October 2002 considered a Best Value Review of Street Cleansing Draft Improvement Plan. Some elements of the Plan are addressed in this report.

Members will also be aware of the decision of the Environment and Transport Committee to extend this contract for 12 months to March 2004 when it will be reviewed again. The length of the extension reflects concerns of the client regarding contract performance.

There is a perception that the standard of cleansing has fallen in recent years. The reasons for this and the weighting that can be given to each factor are not easy to define and are not shown here in order of importance but include

- The use of labour from this DSO to meet sickness and other unplanned absence in the Recycling service. Inevitably priority is given by the Contract Services Manager to not allowing the Recycling service to fall behind schedule and whilst the client would expect every effort to be made to use agency cover for predictable absence, it is difficult to source alternative reliable labour even from agencies. This has been viewed by the client as an important factor in the street cleansing quality issue. In an effort to address the problem and involve the client, the revised arrangements for the Recycling collection service give the client a degree of input on a day to day basis. Whilst this may not prove to be a complete solution it does put some of the financial risk of the contract directly onto the client and therefore requires the DSO to use additional agency resources where possible instead of diverting labour from the Street Cleansing DSO.
- The DSO undertakes work outside of its main contract obligations both for the Council and for third party clients. Whilst this enables the Council to get miscellaneous work done at effectively nil or marginal cost (in this context the DSO's costs can be regarded as fixed) and income from third parties benefits the Council's overall financial position, performance of the main contract suffers since it diverts resources away from those core activities. This is of particular concern to the client and is highlighted in the Best Value Review – Draft improvement Plan as a significant issue.

- Increases in population, properties and number of tourists in the district since 1996.
- Increased littering from fast food outlets.
- Increase in fly tipping collections from 47 in 1996 to 164 in 2002.
- Increase in abandoned car collections from 9 in 1996 to 380 in 2002.

A number of measures have been taken by the Contract Services Manager to address the service quality issue including:

- Two operatives working overtime continue the sweeping through the weekend in Saffron Walden.
- Employment of an additional HGV driver from June 2001.
- Establishing a reserve staffing pool to address poor availability of agency staff although this has had only limited success.
- Employment since September 2001 of HGV drivers in the Recycling DSO instead of agency staff.

However concerns regarding the quality of the service remain and it is the Group's view that there are essentially two options that should result in a measurably improved street cleansing service and which should enable the client to extend the current contract for a further period beyond April 2004.

- The first option is to create a small team of operatives to undertake ad hoc and miscellaneous works thus releasing resources to concentrate on the core contracts. The Contract Services Manager considers that the team should consist initially of two operatives and a suitable vehicle. The estimated cost in a full year would be some £35,000. Whilst there may possibly be opportunities to pursue additional business from both the Council and third parties, in order to ensure that this additional resource maximises the resources that will be dedicated to undertaking core street cleansing contract work, it is assumed at this stage that there would be a reduction in annual profit of the full £35,000. The Contract Services Manager favours this approach. This would not impact on the contribution of £80,000 to the General Fund.
- Alternatively, Contract Services could cease to undertake much of the non-core work. The Contract Services Manager estimates that income of £58,000 in a full year will be foregone of which some £30,000 comes from miscellaneous sweeping and rubbish removal works, £20,000 comes from various Parish and Town Councils in respect of Grounds Maintenance work and £8,000 comes from the Council for non contract

work. Whilst there may be small associated cost savings associated with the withdrawal from this work, the major proportion will translate into a reduction in profit. Additionally, clients would have to find an alternative contractor to undertake their work.

Improving the Monitoring of Quality Control

Discussions between client and contractor have resulted in the contractor providing work schedules detailing the planned dates and frequencies for sweeping the district. The schedules will enable the client to better monitor contract performance in that he would know which streets were to be cleaned on what date.

Vehicle tracking as identified above should assist in the planning and monitoring of street cleansing work.

RECOMMENDED that

The Committee notes the progress made to date by the Group and approves the further investigation of a vehicle tracking system.

The Committee approves the funding from the DSO Budget of two new posts and the acquisition of a suitable vehicle to enable Contract Services to continue to undertake non-core work without the detrimental effect on the performance of its core contracts

A further progress report be presented to a future meeting of this Committee.

Background Papers: DSO Options Appraisal Report - Techman Consultancy Services Ltd