

# Performance review of contractors – guidance – 2011 version

This guidance should be read in conjunction with the Performance Review of Contractors Scrutiny report template.

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## PURPOSE

1. Managing contractor performance is essential for delivering our objectives and targets. Since a high proportion of our services are outsourced (approximately half the revenue budget of the two councils is spent on ten main contractors), we can't deliver excellent service to our residents unless our contractors are excellent. Working jointly with contractors to review performance regularly is therefore essential.
2. The overall framework for reviewing the performance of contractors is designed to:
  - be a consistent way for us to consistently measure contractor performance against key performance targets
  - to record and if necessary act to improve the satisfaction with which customers perceive the service provided
  - be flexible enough to suit each contract, including smaller contracts which may not require all elements of the framework

- be a step towards managing risk more effectively and improving performance through action planning
  - highlight the contractor's strengths
  - focus on any areas for improvement and action plans
  - highlight any trends in performance between assessments
  - obtain the contractor's feedback on our assessment
  - develop improvement options and their financial and growth implications
  - focus on changes in the contract specification resulting from contractor innovations
  - strengthen service delivery over the duration of the contract through a focus on improvement and partnership working between councils and contractor.
3. This document outlines a framework, piloted in 2003, and revised annually since, for managing contractor performance. Feedback from heads of service and contractors has been incorporated.
  4. The framework was revised again in June 2007 to make the process less prescriptive, and give heads of service discretion to make the overall judgement whilst retaining some way to ensure accuracy, fairness and consistency with earlier assessments.
  5. In 2010, the process was extended to Vale at the request of Executive (named Vale Cabinet from May 2011).
  6. In 2011, stimulated in part by suggestions from Scrutiny, the process was further improved to add clarity to the measurement and calculation of a contractor's performance against Key Performance Targets (KPTs), with the objective of greater consistency and therefore fairness between contractors. The key changes in 2011 were:
    - Discontinue the process of calculating KPT performance as the percentage of individual KPTs met, as this could be unfair to contractors who narrowly miss a KPT
    - Introduce a process that takes into account the different types of KPT and enables a more arithmetic calculation of overall KPT performance (avoiding the incorrect averaging of percentages)
    - Provide a way for the contract monitoring officer to add weighting to the importance of KPTs and to ensure that day-to-day contractor performance is taken into account in arriving at a fair overall KPT performance
    - Updated guidance on measuring customer satisfaction
    - Include comparisons of each dimension with the assessments in the previous reviews, for the purposes of identifying trends in performance.

## SCOPE

7. While the process of assessing contractor performance is important, the effort involved in undertaking it means it is best suited to larger contracts. As a rule of thumb, the process has been applied to term contracts of value in excess of £30,000, except for simple transactional contracts such as insurance. However the process, or parts of it, could be applied to other contracts, especially if there is a known reason for wanting to manage performance more systematically.
8. At present, this process is applied to:
  - Engineering support
  - Grounds maintenance

- Leisure centre management
- Public conveniences cleansing
- Revenues, benefits and accountancy services
- Waste and recycling collection, fly-tip removal and street cleaning.

## OVERVIEW OF THE REVIEW FRAMEWORK

9. Evaluating contractor performance has four elements:
1. performance measured against key performance targets (KPTs)
  2. customer satisfaction with the total service experience
  3. council satisfaction as client
  4. summary of strengths and areas for improvement, plus feedback from the contractor on the overall assessment and the contractor's suggestions of ways in which the council might improve performance.
10. These four elements, when used in line with the method explained below result in an overall performance classification. Where some dimensions are not relevant, or difficult to apply fairly to certain types of contract, the framework may be adjusted or simplified at the discretion of heads of service. This might apply for example where:
- the size of the contract does not justify such a detailed process.
  - customer satisfaction is influenced largely by council policy, rather than contractor performance (eg some aspects of waste collection, grass cutting).
  - customer satisfaction is less easy to attribute to contractors because customers may not be able to distinguish between service providers (eg grass cut by other councils)
  - aspects of customer satisfaction lie outside the contract (eg leisure centre car parks)
  - performance indicators are dependent more on government targets or council policy than contractor performance.
11. The first three dimensions are used to produce an overall contractor performance assessment. Since 2003, this and its constituent parts been on a scale of Excellent, Good, Fair, Weak, Poor. This scale was adopted to match the Audit Commission's Comprehensive Performance Assessment used to assess the performance of all councils. Though CPA is no longer in force, in order to track performance trends over the duration of a long contract, we have retained these classifications.

## STRUCTURE OF THE REVIEW PROCESS

12. Each review will normally contain an element of all four dimensions. Heads of service have discretion to split large contracts into sensible sub-components reflecting the structure of the contract. In reviewing each contractor, contract monitoring officers and heads of service make judgements on each dimension as described below.

## FREQUENCY OF REVIEW

13. Contractor assessments will normally be undertaken shortly after the first year of operation of the contract, say 14 months, and annually thereafter. A year before the expiry of a contract, reviews are normally discontinued, because publicly available performance about one contractor could provide unfair competitive information to another. Therefore when a contract is about to expire, heads of service in consultation with the Cabinet member(s) are recommended to waive the annual review.

## COMMITTEE PROCESS

14. Contract monitoring officers prepare a draft of the Scrutiny Committee report and agree with head of service, according to the normal timetable for this committee. This report should be a summary of performance and officers are encouraged not to provide excessive detail. A typical report structure might be:
  - Body of report maximum four sides of A4
  - One page annex containing table of KPT performance
  - Optional one page annex summarising customer satisfaction
  - Two page annex containing client satisfaction questionnaire.
15. Where a contract involves a number of separate elements (e.g. financial management, benefits etc), there are advantages in producing a separate element for each service element.
16. The Scrutiny Committee is invited to challenge the performance of the contractor, usually with both contractor representative and contract monitoring officer present to answer any questions, and is then invited to make a recommendation to the Cabinet Member for the relevant service. This recommendation is minuted publicly in Scrutiny minutes.
17. The Cabinet Member takes this report into account and then takes an Individual Cabinet Member Decision on the rating awarded to the contractor.
18. All scrutiny reports and Cabinet Member Decisions are published on the website and recorded on a dedicated page of the intranet.

## DIMENSION 1 – KEY PERFORMANCE TARGETS (KPTS)

19. KPTs will be agreed between the council and contractors at the time of letting the contract, and during any mid-contract variations. They will be measurable so that the extent to which they have been met, or not met, is clear. They should also be outcome rather than activity based. Where contracts cover large areas of activity or have many performance targets, contractor and council will agree a set of top level targets as the KPT. Heads of Service will continue to monitor the remaining targets and requirements within contracts. The councils' sustainability and carbon management objectives should be considered when agreeing KPTs.
20. Every year, the council revises its corporate plan. This sets out the government's data requirements (GDR) and local performance targets (LPTs) which are viewed as priorities by the council. The definition of KPTs therefore needs to include the relevant GDRs and LPTs, as listed below. These should be included in Service Level Agreements for all new major contracts, and should be added wherever existing contract terms allow, or during mid-contract renegotiation with contractors. An exception to this might be where the council, rather than the contractor, will continue to own the GDR because its delivery is dependent more on Government regulation/targets and/or the council's policy. An example of this is the council's decision on how to meet recycling targets, which is largely outside the control of the contractor. The KPT set should include underlying measures where appropriate to measure the capacity of the contractor to continue to provide the required service, e.g. sickness leave, staff turnover.

21. While it's essential for contracts to include KPTs, sometimes we inherit a contract that does not contain any. Because of the way the contract was set up, it may or may not be possible to retrospectively add KPTs. We may need to wait until the re-letting of the contract before an adequate performance regime can be implemented.
22. If the contract does not contain any KPTs, the contract monitoring officer and head of service can come to a judgement about the day-to-day performance of the contractor, in place of the more arithmetic assessment about, and thereby enable comparison with contracts which do contain KPTs.
23. Another factor to consider is the impact of changing KPTs within or between contracts. It is often helpful to measure trends in contractor performance, but this requires that the set of measures remains the same.

## Historical assessment of overall KPT score

24. Prior to 2011, this guidance provided for the assessment of KPTs by measuring the percentage that had been met. Over the years, some variation has evolved in the interpretation of the methodology leading to inconsistency in assessing contracts, and potentially this is unfair to suppliers. The reasons for these differences relate to the very different nature of the contracts we manage, and to the widely differing types of KPTs and the way they are expressed. Here are just a few ways of assessing overall performance.

Overall calculation	Advantages	Disadvantages
The proportion of KPTs that have been met	Easy to calculate	If the contractor narrowly misses one or all targets, the overall score for this dimension may be unfairly low
The average percentage score	Easy to calculate Despite lack of mathematical rigour, it can be a good overall way to average performance, providing each constituent target is designed to be out of 100%	It is not mathematically rigorous to average percentages
A judgement	Easy to make	Has no mathematical basis and as it may rely on the judgement of a small number of officers, is unreliable, inconsistent and potentially unfair

25. The remainder of this section sets out a new (2011) approach for assessing KPTs, and for using individual KPT assessments to calculate and judge overall KPT performance.

### Step 1 – measure each KPT according to its type

26. The following methodology takes into account different types of KPT, whether numerical or percentage, whether absolute or numerical, or whether good performance is a high or low number.
27. Performance targets are set and measured in very different ways, as indicated in the table below. The purpose of this table is to provide a basis for evaluating KPTs in a

consistent and fair way. We suggest this is done by assigning each KPT a rating on the standard scale of excellent, good, fair, weak, or poor.

			< - - - - - <i>Individual KPT rating</i> - - - - - >				
<b>Type of KPT</b>	<b>Example</b>	<b>Good is ...</b>	<b>★★★★★ Excellent</b>	<b>★★★★ Good</b>	<b>★★★ Fair</b>	<b>★★ Weak</b>	<b>★ Poor</b>
A – Time to carry out an activity	Process benefit claims within 21 days	Low	At or better than target	Within 10% worse than target	10-20% worse than target	20-30% worse than target	> 30% worse than target
B – Target number to be achieved	Number of participants in leisure activity sessions	High	Target achieved or exceeded	95% of target achieved	90% of target achieved	80% of target achieved	<80% of target achieved
C – Target number to be reduced to	Decrease subsidy per visit to £2.96 / Residual waste per household to be no more than	Low	Target achieved or exceeded	95% of target achieved	90% of target achieved	80% of target achieved	<80% of target achieved
D – Target percentage to be achieved	Percentage of council tax collected / Percentage of household waste recycled / Percentage benefits assessments right first time / 100% missed bins rectified within 24 hours	High	Target achieved or exceeded	95% of target achieved	90% of target achieved	80% of target achieved	<80% of target achieved
E – Percent increase to be achieved	Increase number of leisure activity participants by 2.5%	High	Target achieved or exceeded	95% of target achieved	90% of target achieved	80% of target achieved	<80% of target achieved
F – Percent reduction to be achieved	Reduce energy consumption by 7%	Low	Target achieved or exceeded	95% of target achieved	90% of target achieved	80% of target achieved	<80% of target achieved
G – Number of itemised tasks in an action plan completed	Percentage of schemes, surveys and reports completed within estimated cost	High	100% completed	> 90% achieved	> 80% achieved	> 70% achieved	<= 70% achieved
H – Score against nationally recognised survey	QUEST score	High	Target achieved or exceeded	> 90% achieved	> 80% achieved	> 70% achieved	<= 70% achieved

<i>Type of KPT</i>	<i>Example</i>	<i>Good is ...</i>	<i>&lt; - - - - - Individual KPT rating - - - - - &gt;</i>				
			★★★★★ <b>Excellent</b>	★★★★ <b>Good</b>	★★★ <b>Fair</b>	★★ <b>Weak</b>	★ <b>Poor</b>
I – Failure rate critical service	No more than 40 missed bin collections per 100,000 collections	Low	Below 20	20-29.99	30-49.99	50-100	>100
J – Failure rate	Improvement actions missed	Low	0% failure	< 10% failure	10-20% failure	20-30% failure	> 30% failure
K – Composite target consisting of several elements	Less than 4% litter and less than 7% detritus	Low	All elements within target	Half of elements within target and the other half narrowly missed	Half of elements within target and the other half missed, or all elements near target	Half of elements narrowly missed, other half significantly missed	All elements significantly missed

28. The client monitoring officer has discretion to vary the calculated rating if the methodology does not produce a rating that accords with the known performance of the contractor, e.g. because some aspect of performance is outside the control of the contractor. In this case, the client monitoring officer should explain their rationale in varying the score.

29. Note: the above methodology replaces the previous practice of calculating the percentage of targets met. This system had the potential to be unfair to contractors if they had narrowly missed a number of measures.

## **Step 2 – calculate overall KPT performance**

30. In essence, the calculation of an overall KPT score consists of taking the ‘average’ of the individual KPT ratings above, using the table below, and allows for KPTs being of different importance. The monitoring officer has discretion to adjust the overall KPT performance score to ensure that this process accurately reflects the performance of the contractor assessed by officers during day-to-day performance.

31. The following table is used to present a summary of performance against target and rating for each KPT, together with overall rating.

KPT ref	Description of KPT	Target	Performance	Individual KPT rating (excellent, good, fair, weak or poor)	KPT rating score (excellent = 5, good = 4, fair = 3, weak = 2, poor = 1)
KPT 1					
KPT 2					
KPT 3					
KPT 4 etc					
Overall "average" KPT performance rating score (arithmetic average)					
Overall "average" KPT performance (excellent, good, fair, weak or poor)					

32. To calculate the overall average KPT performance:

- For each KPT, translate the individual KPT rating into a numerical score according to Excellent=5, Good=4, Fair=3, Weak=2, Poor=1
- Calculate the arithmetic average of these numbers and place the resulting numerical score in the box in the right-hand column
- Using the table below, assign an overall "average" KPT performance, and place it in the bottom-right box
- If it is required to assign relative weighting reflecting the higher importance of individual KPTs, the contract monitoring officer should make a judgement to vary the calculated overall KPT performance, and record the reasons for this decision
- If the averaged score falls between two ratings, e.g. if there were two KPTs rated 'excellent' and two rated 'good', the contract monitoring officer should propose (and if necessary agree with their head of service) which overall KPT performance is to be assigned. In these cases, it might be important to decide if some KPTs are more important than others.
- If required, there is a formula for calculating the weighted average of KPT performance at annex 1.

Score	1 - 1.4999	1.5 - 2.4999	2.5 - 3.4999	3.5 - 4.4999	4.5 - 5
Classification	Poor	Weak	Fair	Good	Excellent

### Step 3 – compare trends with previous assessments

33. The 2011 template now includes a space to record the previous assessment of KPI performance, for the purpose of identifying any trends.

KPT judgement

Previous KPT judgement for comparison

34. See annex 2 for two worked examples of this methodology.



## DIMENSION 2 – CUSTOMER SATISFACTION

35. Customer satisfaction with council services is very important. Measuring customer satisfaction will be:

- through ongoing measurement by the contractor as part of the service and/or contract.
- during the place survey (every two years).
- independent surveys and gap analyses commissioned by the council as part of its usual business planning process.

36. Data can be collected through various routes – the most effective way will depend upon the service and show the key customer groups are:

- questionnaires
- exit poll
- face-to-face
- telephone interviews
- Citizens' Panel

### Customer satisfaction surveys

37. Contractors are normally required to carry out customer satisfaction surveys as specified in contracts. Whilst they are generally expected to carry out any surveys and analysis required themselves, specialist support is provided by the Shared Consultation Officer if needed as requirements for consultation will vary from service to service. Contract monitoring staff must ensure details of any surveys are added to the consultation calendar and consultation support time is booked well in advance, ideally at the beginning of the year, as it can take up to three months to get final data.

38. There are several benefits to monitoring customer satisfaction in this way. As well as contributing to overall contractor monitoring scores, we get information about how perceptions of a service may have changed over time, and this can be used to highlight areas for improvement. To get the maximum benefit from such an exercise careful consideration must be given to the questionnaire design, method used to collect feedback and analysis (including any statistical limitations).

39. Whilst detailed advice will be provided for each survey some general notes which apply to all contractors are provided here.

Questionnaire design	All questionnaires should include an overall satisfaction question and standard demographic questions on gender, age, ethnicity and disability. Depending on the nature of the service additional questions will be asked about factors which may influence views of the service. For example this could include questions on the availability of information, experience of contacting the service, the range of services available and the quality of different aspects of the service.
Methodology	Customers should, where practical, be offered the choice of completing a questionnaire online or on paper. Contractors may also consider face to face completion of paper surveys to improve response rates. When inviting named customers to take part in a paper or online survey,

	<p>reminder contacts should be considered to improve response rates. Whilst satisfaction may vary between online and paper responses, in some cases it may be appropriate to combine online and paper results to give a more rounded picture of satisfaction.</p>
Sample size	<p>Sample size is influenced by the number of people who could be asked to complete a survey. For example, where for a small number of customers have accessed a service it may be reasonable for the contractor to contact each customer to ask for their view.</p> <p>Where several hundred people have used a service or all residents in the district could complete a survey, a proportionate approach to sample sizes must be taken. If the sample drawn is random then statistically, there is no minimum sample size needed. However the larger the sample size the more certain we can be of the results, whether there have been changes over time and the more analysis of sub groups can be carried out. A minimum sample size of 200 is recommended.</p> <p>A more technical explanation behind this sample size is as follows:</p> <ul style="list-style-type: none"> <li>• A sample size of 200 means we can be 95 per cent confident of a 50 per cent result plus or minus 7 per cent.</li> <li>• A sample size of 500 would increase the certainty of results to plus or minus 4 per cent</li> <li>• A sample size of 1,000 would increase the certainty of results to plus or minus 3 per cent</li> <li>• However larger sample sizes will significantly increase consultation costs, and often it is sufficient to be aware of broad satisfaction levels in order to evaluate whether remedial action on the part of the contractor is called for.</li> </ul>
Analysis	<p>Overall satisfaction questions should be used to derive a contractor customer satisfaction score, not a summation or average of other satisfaction scores. It is not mathematically valid to average percentages.</p> <p>Additional analysis should be carried out on other questions to check whether responses vary between different customer groups. This may identify improvements over time or areas for further investigation and improvement. For ease of analysis this should generally be presented in terms of per cent satisfied rather than a score. Checks should also be carried out to ensure that changes in results are statistically significant.</p>

40. Non-customers should also be included in customer satisfaction surveys to find out why they don't use the service e.g. people who choose not to use leisure centres. The council's consultation officer can advise how to design and implement simple and cost-effective surveys about customer needs and expectations.

41. Customer satisfaction data should be collected batch-wise at least annually, or continuously, and reported frequently to the council's monitoring officer. Customer

satisfaction data should always be included in progress reports to ensure changes are clear and problems can be addressed without delay. The council and contractor should jointly agree the method and responsibility for payment for collecting customer satisfaction data for each contract.

42. Contract monitoring officers should ensure that the survey sample size is statistically significant as indicated in the table above. The cost of customer satisfaction surveys will depend on the sample sizes and the method. Both the council and the contractor have an interest in the outcome and negotiations will decide who pays for what. Independence in data collection is valued. Sometimes it may be desirable to retain a discontinued survey system and methodology, for the purposes of trend monitoring (for example the discontinued Sport England national leisure survey which contained specific questions and sample sizes).

43. Satisfaction should be measured on a scale of 1 to 5 in line with industry best practice, and to provide consistency and trend information for long term contracts with this scale that has been in use since this process was first developed in 2003:

Very satisfied	Satisfied	Neither satisfied or dissatisfied	Dissatisfied	Very dissatisfied
5	4	3	2	1

### Calculating overall customer satisfaction score

44. The following table sets out an industry standard method for calculating average satisfaction from a survey undertaken on the above five-point scale. To work out the average customer satisfaction score, first record the number of votes in each category, multiply by the score equivalent. For example:

Rating	Score equivalent	Votes (example)	Total (example)
Very satisfied	5	10	50
Satisfied	4	8	32
Neither satisfied or dissatisfied	3	5	15
Dissatisfied	2	2	4
Very dissatisfied	1	4	4
<b>Total</b>		<b>29</b>	<b>105</b>

45. Divide the total number of scored votes (right column) by the total number of votes to produce the average customer satisfaction score. In this example,  $105 \div 29 = 3.62$

46. For more than one questionnaire calculate the score for each then find the average.

47. The table below is a rough guide to making a judgement on the contractor's customer satisfaction score. The numerical ranges have been chosen to be consistent with the process in operation since 2003. Enter the judgement in the box in the Scrutiny report.

<b>Average customer satisfaction score</b>	<b>Customer satisfaction judgement</b>
4.3 – 5.0	Excellent
3.9 – 4.299	Good
3.4 – 3.899	Fair
3.0 – 3.399	Weak
<3.0	Poor

48. If in doubt about the best way to measure customer satisfaction, please contact the shared consultation officer on 01491 823093 or 01235 547614.

49. Customer expectations and perceptions will vary widely from contract to contract. For this reason, the contract monitoring officer is empowered to recommend a variation to the customer satisfaction overall rating, providing that the reasons for this are clear. As mentioned earlier, sometimes customer satisfaction is not a reliable measure of contractor performance, e.g. it is known that satisfaction falls when leisure centre changing room floors are wet, but it is beyond the scope of the contract to fix this.

50. The level of customer complaints should also be taken into account when judging the final customer satisfaction rating.

51. The 2011 template now includes a space to record the previous assessment of customer satisfaction performance, for the purpose of identifying any trends.

### **DIMENSION 3 – COUNCIL SATISFACTION**

52. The council's satisfaction with the contractor's performance is also important. This is measured by a questionnaire which appears as annex C of the Scrutiny report.

53. This questionnaire was first developed from a similar survey used in industry.

54. The following box explains each satisfaction attribute and should help to ensure consistent marking. Leave a question blank if it's not relevant to a particular contractor.

55. The questionnaire should be completed by the councils' contract monitoring officer. In most cases that officer has sufficient detailed knowledge of the state of the intangible aspects of the relationship between council and contract to complete the questionnaire alone. However, the contract monitoring officer can invite other officers to contribute their views on one or more or all questions, and the scores averaged.

56. In 2011 we reconsidered the list of questions, but concluded that it is helpful to be able to maintain consistency with previous year.

57. The contract monitoring officer has discretion to omit some of the above that may not be relevant, and there is space on the template to add additional criteria.

58. The questionnaire could be used in discussions with suppliers about their performance, even when the full process is not used.

## Assessment questions

### 1. Understanding of our needs

Extent to which the contractor takes trouble to clarify requirements. Are there frequent checks that our needs are being met. Does the contractor take initiatives to understand the council's customers' needs?

### 2. Response time

How quickly does the contractor respond to telephone and email messages. How well does it handle voicemail?

### 3. Delivers to time

Extent to which contractor delivers milestones, outcomes and ad-hoc requests by the time specified in the programme of work.

### 4. Delivers to budget

Extent to which contractor delivers within budget, with no surprises or hidden extras, or grey areas which turn out not to be covered.

### 5. Efficiency of invoicing

Does the contractor invoice efficiently, or are there always delays, chasing and quibbles?

### 6. Approach to health and safety

How low are the contractor's accident statistics compared to the norm for the industry? Does it have a robust approach to the health and safety of its workforce and the general public?

### 7. Risk management

Does the contractor have an up to date risk register?

### 8. Business continuity

Does the contractor have an up to date business continuity plan?

### 9. Easy to deal with

Extent to which the contractor is easy to interact with, easy to fix meeting times, arrives at meetings on time, has a positive attitude to variations in the original request or to new opportunities. Good secretarial/administrative support when main contact not available.

### 10. Communications / keeping us informed

Does contractor send the client regular progress update reports, emails, or phone calls? Does the client have to chase to find out what is happening?

### 11. Quality of written documentation

Is the report writing communication style clear and in plain English? This could include formal reports, informal memos, proposals, thoughts on new ideas, promotional literature and service information on contractor websites. Are ideas clear and well-ordered and is there a thread of logic? Are documents well laid out and easy on the eye? Are there good illustrations, graphs etc if appropriate?

### 12. Compliance with council's corporate identity

Do outputs actually comply with the identity? Has the contractor made an attempt to find out about and empathise with the council's corporate identity, for example in proposals,

reports, joint publicity initiatives etc? Is this way-of-life for the contractor, or has the council invested much effort in the process?

### **13. Listening**

To what extent does the contractor routinely undertake activities which demonstrate it is listening to customers, and thereby helping the council to be recognised as a listening council?

### **14. Quality of relationship**

How well do you as client think this professional relationship is developing? Do you and the contractor seem to understand each other, predict each others needs, empathise etc?

### **15. Offers suggestions beyond the scope of work**

When new initiatives are being discussed, to what extent does the contractor offer ideas outside what would normally be expected?

### **16. Degree of innovation**

Does the contractor propose innovative technical or managerial ideas or novel ways of working, or novel ways to satisfy customer needs and expectations. Is this unprompted, or does the contractor need driving to achieve this?

### **17. Goes the extra mile**

Does the contractor distinguish itself by occasionally going beyond the contract specification and making a real effort in an attempt to delight the council? This could be in an area unrelated to the contract.

### **18. Supports council's sustainability objectives**

Does the contractor contribute to the council's Sustainable Development Strategy or Carbon Management Plan by actively exploring ways of delivering its services that contribute to social, economic and environmental objectives at the same time?

### **19. Supports council's equality objectives**

Does the contractor contribute to the council's equality and diversity objectives?

### **20. Degree of partnership working**

Does the contractor seek to form a partnership with the council, for example by being proactive, or does it on the other hand merely respond to the council's requirements?

## **Calculating client satisfaction score**

59. Calculate the overall client satisfaction score in the same way as for customer satisfaction.

60. Using the score as a guide, enter the head of service judgement in the box in the Scrutiny report.

61. The 2011 template now includes a space to record the previous assessment of council satisfaction performance, for the purpose of identifying any trends.

## OVERALL CLASSIFICATION

62. Once the three scores have been established the head of service will make an overall judgement. This judgement has the flexibility to recognise factors outside the contractor's control, such as a change in government legislation or policy, or a change in the council's policy or approach, or to recognise an aspect of performance which is not part of the contract.

63. The head of service in consultation with the Cabinet Member shall judge whether the customer satisfaction score should be either:

- accorded double weighting compared to the other dimensions, as in previous versions of this guidance (reflecting the importance of providing services that ultimately satisfy customers), or
- accorded single weighting, it for example it is thought that customer satisfaction is not a reliable test of the performance of contractors (for example: leisure centre changing rooms, which often attract low customer satisfaction when the floor is wet, even though the facility is actually very clean), or
- in extremis, ignore the customer satisfaction dimension completely, in which case the head of service should set out the rationale for this.

64. The table below provides some guidance for heads of service in their overall judgement:

<b>Classification</b>	<b>Description</b>
<b>Poor</b>	Neither customer satisfaction nor performance against the KPTs is adequate. The contractor needs to transform its performance. An action plan must be produced illustrating clearly how this is to be achieved. The contractor should be clearly told that this level of performance is not acceptable. Separately, the Council should make a judgement on whether the contractor has the potential and capacity to improve.
<b>Weak</b>	Either satisfaction or KPTs achievement is low, although one element may be at a high level. It is not acceptable, for example, to deliver all KPTs if customer satisfaction is low. An action plan must be prepared which focuses on the weak element. If KPT performance is low, consider whether the KPTs are wrong. KPTs should be reviewed in light of customer requirements. If satisfaction is low, the contractor may not be correctly operating the systems and/or employing enough staff. Review the systems and operation of the contractor.
<b>Fair</b>	Both KPT achievement and satisfaction are behind target. An action plan should be prepared which identifies the causes and states the actions to be taken to improve, and/or the changes to KPTs.
<b>Good</b>	Either KPT achievement or satisfaction is meeting target. Though the contractor is generally performing well, an action plan should be prepared to identify how the KPTs are to be changed, performance could be more effectively explained to customers and how customer expectations could be more fully understood, where appropriate.
<b>Excellent</b>	Customer satisfaction and performance against the KPTs are high. The contractor should be encouraged to continue its innovation and excellent performance.

65. The 2011 template now includes a space to record the previous assessment of overall performance, for the purpose of identifying any trends over time.

## DIMENSION 4 – CONTRACTOR FEEDBACK

66. The final dimension of the annual review process (included as appendix D in the template) includes:

- A summary of the strengths and areas for improvement of the contractor's performance, as judged by the contract monitoring officer, including any declining trends and any key areas of focus for the next year of the contract
- An opportunity for the contractor to comment on the council's assessment
- An opportunity for the contractor to offer suggestions for things the council could improve to make the service delivery to customers better and/or more efficient, in the spirit of partnership working and eliminating wasteful working practices.

## ACTION PLANNING

67. For contractors not performing to the required level, Appendix E of the template includes provision for a review of the previous year's action plan, or a summary of actions required to get performance back on track, whichever is appropriate.

## UPDATE HISTORY

<i>When</i>	<i>Who</i>	<i>What</i>
2003	Geoff Bushell	Process initiated
2005	Geoff Bushell	Major review including feedback from Cabinet
15-8-08	Geoff Bushell	Clarify cabinet member decision process
9-9-09	Geoff Bushell	Remove references to CPA, style-guide
7-7-10	Geoff Bushell	Extension of process to Vale
12-5-11	Geoff Bushell	Following 2011 elections, Vale Executive renamed Cabinet
12-5-11	Geoff Bushell	Added paragraph referring to section on contractor feedback
6-12-11	Geoff Bushell	Revisions to the way of calculating KPT performance
13-1-12	Kate Prince	Clarification about measuring customer satisfaction
13-1-12	Geoff Bushell	Other clarifications in order to make the process more consistent across all types of contract
16-1-12	Geoff Bushell	Addition of Cllr Jim Halliday suggestions to report template: clarify customer satisfaction sample size; clarify which officers made client satisfaction judgement; addition of appendix E to contain previous year's action plan progress or new action plan to address inadequate performance
26-1-12	Geoff Bushell	Minor amendments from Vale Scrutiny Committee
14-2-12	Geoff Bushell	Minor amendments from South Scrutiny Committee



## ANNEX 1 – FORMULA FOR CALCULATING WEIGHTED KPT SCORE

This is an optional formula for mathematically applying a weighting to each KPT reflecting relative importance.

- For each KPT, translate the individual KPT rating into a numerical score according to Excellent=5, Good=4, Fair=3, Weak=2, Poor=1
- Calculate a weighted average score 'S' using the following formula. The formula assumes that there are 'n' KPTs, each with a 1-5 score  $S_i$  ( $i=1, 2, \dots, n$ ) and each has a weight of  $W_i$ :

$$S = \frac{(W_1 * S_1) + (W_2 * S_2) + \dots + (W_n * S_n)}{W_1 + W_2 + \dots + W_n}$$

- S will be in the range 1 to 5. Use the following table to look up the overall KPT performance

Score	1 - 1.4999	1.5 - 2.4999	2.5 - 3.4999	3.5 - 4.4999	4.5 - 5
Classification	Poor	Weak	Fair	Good	Excellent

- The resulting overall KPT performance should then be moderated by the contract monitoring officer to ensure that it accurately matches known performance
- The contract monitoring officer should record in the Scrutiny report the reasons for any variation from the calculated score.

Worked examples:

(a) Four Goods and an Excellent (equal weighting of 1) converts to:

$$S = (4*4 + 1*5)/5 = 21/5 = 4.2, \text{ which rounds down to 4, i.e. Good.}$$

(b) If there were three measures as follows:

Measure 1, weighting =2 Poor (score=1)

Measures 2 and 3, weighting =1 - both Excellent (score=5)

$$\text{Then } S = (2 * 1 + 1 * 5 + 1 * 5)/(2+1+1) = 12/4 = 3 = \text{Fair}$$

## ANNEX 2 – WORKED HYPOTHETICAL EXAMPLES

### Example A – waste and recycling

KPT ref	Description of KPT	Target	Performance	Individual KPT rating	KPT rating score
KPT 1	Missed bin collections	No more than 40 missed collections per 100,000 collections	Average 30 missed collections	Excellent [as target exceeded]	5
KPT 2	Rectification of missed collections	100% rectified within 24 hours of contractor being notified	87%	Fair [see earlier table]	3
KPT 3	Percentage of household waste sent for re-use, recycling and composting	50.6%	Average 70%	Excellent	5
KPT 4	Improved street and environmental cleanliness – levels of litter and detritus	4% litter 7% detritus	2% litter 3% detritus	Excellent	5
Overall “average” KPT performance rating score (arithmetic average)					18 / 4 = 4.5
Overall “average” KPT performance (excellent, good, fair, weak or poor)					Excellent

68. Arithmetically the overall “average” KPT performance came out on the mid-point between “good” and “excellent”. In this hypothetical example, the contract monitoring officer has agreed with the head of service that KPT 1 is more important than the others, because of its impact on residents. Giving KPT 1 higher weighting means that the average KPT rating score is greater than 4.5 so the overall performance is judged as follows:

KPT judgement

Previous KPT judgement for comparison

## Example B – leisure centre management

KPT ref	Description of KPT	Target	Performance	Individual KPT rating	KPT rating score
KPT 1	Increase per cent total visits	2.5%	17.1%	Excellent [as target exceeded]	5
KPT 2	Increase per cent physical activity	2.5%	5.5%	Excellent	5
KPT 3	Increase per cent U16 usage dry courses	2.5%	21.4%	Excellent	5
KPT 4	Increase per cent holiday camp visits	2.5%	-2.9%	Poor	1
KPT 5	Increase in QUEST score	4.0	-4.0	Poor	1
KPT 6	Per cent Increase GP referral numbers	10.0%	35.5%	Excellent	5
KPT 7	No of disabled leisure pass users	277	284	Excellent	5
KPT 8	Internet bookings as a percentage of casual bookings (October-March)	30%	29%	Good	4
KPT 9	Decrease in subsidy per visit (£)	£2.96	£0.47	Poor	1
KPT 10	Decrease in operating cost per visit (£)	£2.75	£3.92	Excellent	5
KPT 11	Reduce energy usage	7%	5.5%	Poor [type F measure, 21% shortfall]	1
Overall "average" KPT performance rating score (arithmetic average)					38 / 11 = 3.45
Overall "average" KPT performance (excellent, good, fair, weak or poor)					Fair

69. Suppose in this example that the contract monitoring officer believes that KPTs 1, 2 and 3 are the most important. As the arithmetical score is near to the Fair/Good boundary, and the day-to-day contractor performance is very satisfactory, the contract monitoring officer proposes that the overall KPT performance is as follows:

KPT judgement

Previous KPT judgement for comparison

g:\intranet\procurement\docs\contractor\_performance\_review\_guidance.doc

Last updated 15 February 2012