

WEST DUNBARTONSHIRE COUNCIL

Report by the Executive Director of Housing, Environmental and Economic Development

Housing, Environment and Economic Development Committee: 5 May 2010

Subject: Competitiveness Review

1. Purpose

- 1.1** This report establishes the progress made by five service areas within the department of Housing, Environmental and Economic Development to establish their competitiveness position and details proposed actions to further progress this work in the coming year.

2. Background

- 2.1** Following the 2009 Best Value Progress Audit and the production of KPMG's action plan, it was agreed at the 30 September 2009 Council meeting that a new workstream group be established to focus on overseeing the implementation of the corporate competitiveness action plan, improve activity-based costing, improve benchmarking (research, data collection, training and analysis).

- 2.2** The Corporate Management Team then agreed that initially five priority service areas be identified by each department in order to take forward this work. It was agreed that the key actions would be to:

- review priority service areas and produce initial position statements
- produce appropriate benchmarking reviews in reports to respective committees detailing appropriate performance indicators
- analyse comparator data and its quality
- undertake peer reviews

- 2.3** The priority service areas identified by the Executive Director of Housing, Environmental and Economic Development were:

- Architectural Services
- Facilities Management
- Grounds Maintenance
- Housing Management
- Development Management and Building Standards

The decision to consider these areas was informed by a number of factors including general performance, availability of benchmarking data, previous best value review activity, the existence of external markets (public or private) and previous levels of market testing or tendering.

- 2.4** The Local Government Act Scotland 2003 implemented the duty to secure best value by reference to economy, efficiency and effectiveness and to put in place mechanisms for continuous improvement. This was to be achieved through a review process comprising examination of the 4 C's of Consult, Challenge, Compare and Compete. The Compete element was generally interpreted to imply a range of things from CCT style tendering to price benchmarking.

It is now widely recognised that competitiveness cannot be demonstrated through the use of a single measure or mechanism and that the market testing approach is not the only mechanism to demonstrate competitiveness and that achieving best value requires demonstrable quality of service at an acceptable cost.

- 2.5** The Council's competitiveness framework recognises this and the methodology being adopted to assess competitiveness focuses on 3 key elements:

(i) Benchmarking - comprising data and process benchmarking, market and cost analysis, outcomes and end user perceptions.

(ii) Options Appraisal

(iii) Decision on service configuration

This report focuses on element (i) above.

3. Main Issues

- 3.1** Progress has varied across these five priority areas and this reflects the difference in benchmarking data available at a national and regional level. While some services have access to detailed national comparator data through APSE (Association for Public Sector Excellence) others have no formal vehicles for benchmarking and data analysis. These issues are identified in the individual progress updates for each service below.

3.2 Architectural Services

- 3.2.1** There is no national or regional network for benchmarking Architectural Services for cost or quality in Scotland. As a result this service has taken the initiative by contacting six councils within the Clyde Valley area to exchange service and fee information and to review same at periodic stages.

- 3.2.2** Contact was made in December 2009, and five authorities have provided valuable information in relation to services and fees in the field of architectural and related services. Agreement has been reached to review the data on an annual basis.

The contributing authorities were:

East Dunbartonshire Council
Inverclyde Council
North Lanarkshire Council
Renfrewshire Council
South Lanarkshire Council

The professional disciplines fee-assessed across the six cooperating authorities were: Architects (Including Technicians), Quantity Surveyors, Mechanical and Electrical Engineers (Including Technicians), and Clerks of Works.

3.2.3 Architectural Services section operates at a break even fee scale of 6.69%. That is to say that in order to only cover costs, Architectural Services require to charge an average 6.69% for professional fees calculated against a projected workload of £17m. It should be noted that this fee percentage also includes for structural engineering services.

3.2.4 The 'Optimum' fee scales are those which would cover indirect overheads and make provision for costs in relation to future development and investment. Historically projects will evolve and generally expand from inception onwards and as such the optimum fee scales make allowance for such occurrences. The long inherited rate which applies here is 10.50% although there is no supporting evidence as to how this figure was calculated and as a consequence there is a need to undertake work to establish the accuracy of this.

3.2.5 The average fees across the five comparator authorities last year was 11.72% which represents in respect of WDC's Architectural Services optimum fee scales a favourable difference of 1.22%, albeit further work internally to accurately establish elements of this fee requires to be undertaken. The detailed comparison information is shown in Appendix 1.

The service has also benchmarked fee scales with the private sector.

3.2.6 The contract for the design and procurement of Bonhill and Goldenhill Primary Schools and the contract for professional services in the procurement of the Clydebank Town Hall Refurbishment project were both used to compare and assess fee scales against those of Architectural Services.

Evidence to date (Appendix 2) indicates that Architectural Services baseline fees are broadly comparable to those of private consultants engaged in Council contracts, albeit this is a limited sample and as a consequence further work is required to establish the reliability of this data.

3.2.7 2010/11 key actions for establishing the competitiveness of this service are:

- Establish accurate WDC Optimum fee by July 2010.
- Review the fee scales with the five other contributing authorities on an annual basis, with the next review due by 30/9/10.
- Identify appropriate private enterprises offering similar services and carry out an annual benchmarking exercise by 30/9/10.
- Develop a Service Level Agreement for Architectural Services in consultation with users by October 2010.

3.2.8 There is limited information available nationally at present to assist in the assessment of the competitiveness of Architectural Services, however, as mentioned above, agreement has been reached between officers of the six contributing authorities in this exercise to maintain contact for the purposes of reviewing and updating fee information at least on an annual basis.

3.2.9 Based on the above exercise with the other authorities and the process of comparing fees with two contracts involving private consultants, both conducted by the Section Head of Architectural Services, there is a clear indication that this service may be competitive on a price comparison basis however further work will be undertaken in the coming year to verify this position and establish improvement activity necessary. Measures related to customer needs and expectations are not at present established and as a consequence in the absence of a Service Level Agreement upon which to determine these this represents a weakness which requires to be addressed.

3.3 Facilities Management (building cleaning, janitorial and catering services)

3.3.1 This service participates in national APSE performance networks for education catering and building cleaning. There is no national network for janitorial services and as a consequence at present no benchmarking data exists for this service.

3.3.2 Facilities Management is also a member of the Association of Service Solutions in Scotland (ASSIST). ASSIST has recently developed a benchmarking framework which will provide valuable benchmarking data to all participants. The project has not been operating long enough for comparative data to be available.

3.3.3 Benchmarking data produced by APSE (family groups) shows for 2008/09 that the education catering service has 10 indicators in the upper quartile and 8 indicators in the lower quartile. There are 18 indicators which are not ranked by APSE. Details of these outcomes have been placed in the Members lounge and are summarised below.

3.3.4 Performance is above the comparator group average in terms of meal uptake, school meal prices and also in relation to nutritional indicators and staff absence.

Performance is around the group average in terms of quality and slightly below average in relation to productivity.

- 3.3.5** Other catering (non education) is not included within the APSE benchmarking analysis however it accounts for only approximately 3% of the overall service.

The service delivery model for other catering is reflective of the Education catering model therefore demonstration of competitiveness in the Education sector would indicate similar performance in other catering.

- 3.3.6** Benchmarking data produced by APSE (family group) shows that the building cleaning service has 18 indicators in the upper quartile and 8 in the lower quartile with 9 indicators not ranked by APSE. Details of these outcomes have been placed in the Members lounge and are summarised below.

- 3.3.7** Performance is generally above average in relation to productivity, cost of service delivery including cleaning materials and quality assurance and consultation.

Long term staff absence is higher than the comparator group average.

- 3.3.8** Cleaning equipment expenditure is lower than comparator authorities and this reflects the low level of investment in recent years due to budget pressures. WDC could benefit from increasing expenditure on modern equipment which would assist in further increasing productivity.

- 3.3.9** Where there are gaps in this information in either output score or quartile achieved, this relates to areas of service that WDC do not provide or that APSE have not ranked. Quartile marks are only calculated by APSE for those PI's which there are a minimum of 8 outputs/scores within the set parameters.

This data for these services is considered to be robust and valid.

- 3.3.10** The building cleaning service was recently shown to be competitive against external organisations by winning a 30 year contract to clean three new PPP secondary schools and one primary school.

- 3.3.11** The independent evaluation of this service was carried out as part of the overall business model for PPP. West Dunbartonshire Councils' Facilities Management bid was shown to represent better value for money when compared to external bidders.

- 3.3.12** The PPP project board report of 8 August 2007 states that "it is therefore clear that, both in terms of Unitary Charge and in terms of the Net Present Value, the in-house bid represents better value for money. Indeed, the net saving to the Council by selecting the in-house bid would be the equivalent of in excess of £150k in Year 1 Unitary Charge terms".

“In addition to the above factors, the project is likely to accrue additional benefits if the in-house bid is chosen. This would arise from a requirement for BAM to re-index their financial model to take account of the removal of cleaning and grounds maintenance from the scope of their services”.

3.3.13 In addition to being evaluated as the most competitive bid the service has demonstrated the provision of a quality service during the first year of operation. It is anticipated that the contract will generate a small surplus at year end, however the accounts have not yet been finalised. It should be noted that the productivity parameters adopted in submission of the above bids have been extended to similar comparable facilities across the Council.

The comments above relate to both Building Cleaning and Grounds Maintenance services being provided to PPP schools.

3.3.14 Based on the data identified above, elements of the Facilities Management service could be considered to be performing relatively well in key areas however in some indicators which impact directly on cost and quality such as productivity levels in catering, long term staff absence scope for some improvement has been identified. That said however the recent market testing of building cleaning combined with benchmarking outcomes would support the position that this service is competitive. It is acknowledged however that investment and modernising equipment would provide an opportunity for further improvement.

Education catering may be competitive but there is a need for further work to be undertaken to establish the position more robustly.

3.3.15 Given that no comparator information exists for Janitorial Services and it has been some considerable time since the operating model for the service was reviewed it is likely that significant scope/opportunity exists to align services more closely to customer need/demand with the potential to realise quality and cost benefits.

3.3.16 2010/11 key actions for establishing the competitiveness of this service are:

- Undertake benchmarking exercise of Catering/Cleaning/Janitorial service delivery options and unit/task costings with comparable local authorities by October 2010.
- Consider investment needs to realise productivity gains by October 2010.
- Review/reconfigure service delivery model by March 2011 to improve service efficiency.

3.3.17 The actions identified above will ensure that there is further robust evidence to support competitiveness. Reconfiguration of the service delivery model will provide a more efficient and streamlined organisational arrangements across the service and deliver more customer orientated service through one point of contact.

3.4 Grounds Maintenance (including Street Cleaning)

3.4.1 This service participates in the APSE parks and open spaces and street cleaning performance networks.

3.4.2 Benchmarking data produced by APSE (family group) shows for 2008/09 that street cleaning has 3 indicators in the upper quartile and 5 indicators in the lower quartile. There are 12 indicators which have not been ranked by APSE.

3.4.3 Performance is above average in areas such as community consultation, quality assurance, education awareness and publicity initiatives.

The cost of service delivery per household is however greater than that of many other authorities. This is due to front line labour costs being greater in WDC than in comparator authorities.

3.4.4 Benchmarking data produced by APSE (family group) shows for 2008/09 that parks, open spaces and horticulture has 7 indicators in the upper quartile and 10 indicators in the lower quartile. There are 14 indicators which have not been ranked by APSE. Details have been placed in the Members lounge and are summarised below.

3.4.5 Performance can be demonstrated as above average in a range of areas including the hectares of land maintained per 1,000 of the population, the quality of the output specification and the level of provision of amenities such as play areas, litter bins etc.

The level of staff absence is above the group average as is the cost of service provision.

The data for this service is considered to be robust and valid.

3.4.6 Where there are gaps in this information in either output score or quartile achieved, this relates to areas of service that WDC do not provide or that APSE have not ranked. Quartile marks are only calculated by APSE for those PI's which there are a minimum of 8 outputs/scores within the set parameters.

3.4.7 Members will be aware that a previous committee decision was taken to subject Grounds Maintenance to Voluntary Competitive Tendering. This decision was subsequently reviewed in May 2008 and Members decision was to delay for one year the tendering exercise. During the subsequent period, officers have attempted to establish if the service is competitive through benchmarking, unit rate comparison and examining the tendering exercise for Grounds Maintenance as part of the Schools PPP project. Similarly to Building Cleaning the PPP board report of 8 August 2007 states that “it is therefore clear that, both in terms of Unitary Charge and in terms of the Net Present Value, the in-house bid represents better value for money. Indeed, the net saving to the Council by selecting the in-house bid would be the equivalent of in excess of £150k in Year 1 Unitary Charge terms”.

“In addition to the above factors, the project is likely to accrue additional benefits if the in-house bid is chosen. This would arise from a requirement for BAM to re-index their financial model to take account of the removal of cleaning and grounds maintenance from the scope of their services”.

3.4.8 In addition to the APSE Performance Network data, 14 Scottish Councils are developing a process benchmarking project which will be operational by summer 2010 with full year figures being available from 2010/11.

3.4.9 APSE identified WDC Street Cleansing Services as one of the 5 most improved services in the UK and in 2009 our Parks, Open Spaces and Horticulture service was identified as one of the 6 most improved services in the UK.

3.4.10 A schedule of rates review is currently being undertaken to identify actual costs against income generated. The results of this review will be available in towards the end of 2010.

3.4.11 Analysis of our current performance indicates that we perform well in comparison to other authorities in ten areas however costs per household is greater and productivity lower than other authorities.

A contributory factor in this is the comparatively high level of specification that leads to costs being greater than other authorities. Areas of poor performance relate to staff absence and productivity per employee. Our enquiries show that our productivity rate is lower due to lower levels of mechanisation. The service would therefore benefit from investment to increase mechanisation which in turn would increase productivity and reduce staffing costs whilst maintaining acceptable quality levels.

3.4.12 2010/11 key actions for establishing the competitiveness of this service are:

- Complete review of unit cost comparisons and task costing comparisons by 31/10/10.

- Review current specifications by comparison to comparator groups and identify key variations.
- Participate in APSE Process Benchmarking exercise and analyse results by December 2010.
- Review available manpower resources and skills and compare to workload by September 2010.
- Develop options for reconfiguration of service delivery models by September 2010 to improve service efficiency.
- Further market test elements of the service following the above service reconfiguration to the value of £1million.

3.4.13 In view of the development of data collection identified above it is anticipated that there will be sufficient information to assess robustly if this service is competitive in the coming year and thereafter consider appropriate options for future delivery.

3.5 Housing Management

3.5.1 Recently, Housing Management has had to focus on some very basic issues to improve the effectiveness of the services within the HRA. While the need for greater competition will bring further improvement this has to be done in the right order. It is important to ensure that the standards of service and the views of tenants are incorporated into service design and this is what has been developing over the last year. This is a pre-requisite to efficiency drives which may bring further benefit to customers, within Housing Management and Homelessness. Competitiveness in Housing Management terms is measured in two ways, performance and cost.

3.5.2 There is a well established range of Statutory Performance Indicators (SPI) defined and published by Audit Scotland that are used to measure the performance of services provided by councils and to compare their performance collectively. All of the statutory indicators are contained on the Covalent system used by the Council as part of its corporate performance management framework. Typical SPIs for the housing service relate to house letting, repairs and homelessness. Each SPI is carefully defined to ensure that all councils measure and report performance in a consistent way for benchmarking. Comparative information is published by the Scottish Government, Audit Scotland and the Scottish Housing Best Value Network (SHBVN). Published benchmarking information is uploaded to the Council's Covalent system and is used to compare the Council's performance with other local authorities.

- 3.5.3** A major emphasis is placed on knowing what other landlords are achieving and managers must demonstrate a clear understanding of the performance of their service relative to other providers. This is done by a combination of formal benchmarking using information from SHBVN, and considering what can be learned from other good performing landlords. This approach has been used to refine operational performance management and improve rent arrears practices. (e.g. Improvement Service peer review of rent arrears with Renfrewshire Council). The Scottish Housing Regulator identified the Council's use of Challenge Panels as an area of 'Positive Practice' in relation to improving performance.
- 3.5.4** There is a well established mechanism for measuring and comparing costs in relation to the Housing Repairs service through the Association for Public Sector Excellence (APSE). The maintenance and repair contract was voluntarily tendered in 2006 and this provided significant benefit to the Council. The contract was recently extended for a further period of time based on a review of performance and cost benchmarking information from APSE and SHBVN. In addition to subjecting the repair and maintenance contract to competitive tendering, all capital programmes for housing related work are also subjected to competition.
- 3.5.5** Measuring competitiveness in relation to Housing Management costs is a very poorly established area and there is very little good information available for comparing costs across authorities.
- 3.5.6** Information from the Scottish Government on HRA income and expenditure shows that the average supervision and management expenditure cost per dwelling for West Dunbartonshire Council in 2009/10 is £624, well below the Scottish average of £778. This is ranked as 23rd out of the 26 local authorities who provide a housing service. Put another way, West Dunbartonshire Council has the 4th lowest supervision and management cost per dwelling of Scottish local authorities, only East Renfrewshire, North Ayrshire and North Lanarkshire have lower costs.
- 3.5.7** A recent report for the Scottish Housing Best Value Network (SHBVN) by Professor Hal Pawson in February 2010 analyses housing management performance across all Scottish local authorities. It is based on 2008/09 information drawn from Audit Scotland and the Scottish Government. One of the six key areas looked at in the report is Housing management costs.
- 3.5.8** The report recognises that housing management costs are outwith the Audit Scotland SPI framework and that the conventions used by different authorities in classifying expenditure as 'HRA-related' probably vary considerably and that the differences between authorities here are very substantial. In other words, the information provided by different authorities is not necessarily structured in the same way and, therefore, is not sufficiently robust to allow comparison between them to be as meaningful as it could be.

3.5.9 In recognition of the above difficulty with regard to robust benchmarking of housing management costs, a pilot study has been proposed with a view of bringing forward a more rigorous benchmarking methodology. The pilot will be led by Fife Council and will involve HouseMark, SHBVN, the Scottish Government, five Scottish housing authorities - Fife, North Lanarkshire, South Lanarkshire, Edinburgh and GHA as well as Tenants First Housing Co-operative and Castle Rock Edinvar.

3.5.10 HouseMark was set up in 1999 and is jointly owned by the Chartered Institute of Housing (CIH) and the National Housing Federation (NHF), two not-for-profit organisations dedicated to improving housing standards. They are one of the social housing sector's leading providers of performance improvement services and are committed to working for, and with, the sector to improve performance, value for money and efficiency. It is a membership-based organisation with over 800 subscribers, split 60% housing associations and 40% local authorities and ALMOs, 160 of which are Councils. The organisation seeks to help the social housing sector to improve performance and achieve value for money. It does this by; sharing knowledge and good practice, providing meaningful performance comparisons, providing high quality consultancy support and constantly refreshing member services. HouseMark is a similar type of benchmarking organisation to APSE, but is geared more towards Housing Management functions.

3.5.11 The objective of the pilot is to ensure that HRA costs for the five participating authorities are compared on a like for like basis and provide a template for future benchmarking. The pilot is expected to conclude its work and report its findings in December 2010. At the present time, the pilot provides the best (only) prospect for developing a suitable framework for providing consistent and relevant housing management costs in the future.

3.5.12 The Scottish Government has indicated that although it is too late for WDC to formally participate in the pilot project it would be welcomed to "shadow" the work of the pilot if it decided to join HouseMark. In that event, the Council would be invited to attend pilot project steering group meetings to compare plans and experiences with members of the pilot. The Council has the opportunity of becoming involved in a national initiative and getting the benchmarking benefits of the project. Initial discussions have taken place with HouseMark and consideration is being given to joining the HouseMark scheme.

3.5.13 2010/11 key actions for establishing the competitiveness of this service are:

- Confirm HouseMark proposal by May 2010
- Join HouseMark scheme by May 2010
- Prepare information for submission to HouseMark by August 2010
- Data validation by HouseMark by September 2010
- Benchmarking information available by December 2010

3.6 Development Management and Building Standards

3.6.1 There is no national or regional network for benchmarking these services for cost or quality in Scotland however SPI performance in relation to development management shows the Councils performance in the top quartile in relation to both householder and all planning applications (actual ranking 3rd and 5th respectively).

The Scottish Government undertook two major pieces of research in 1999 and 2009 based on trying to find a more objective basis for setting fees for making planning applications. The first study presented no conclusive data when it became clear that authorities couldn't be compared in any meaningful cost-based way because of the differences in organisation, administration and accounting practice. The second study suffered a similar fate over meaningful comparisons because of different accounting systems, organisational structures, levels of resources and planning contexts.

3.6.2 Whilst national performance comparisons are published annually, there are no plans to undertake any further cost based comparisons at a national level at this time.

3.6.3 The Scottish Government has appointed all local authorities as Building Standards verifiers till 2011. This means that only Local Authorities can approve building warrant applications. Cost based comparisons are constrained by the same difficulties as mentioned above for planning applications. While the Council has been appointed to undertake this work until 31 March 2011 there may be scope to investigate costs and a shared service agreement from 2012.

3.6.4 2010/11 key actions for establishing the competitiveness of this service are:

- Discuss with Scottish Government what, if any, national competitiveness research is planned - by 31/5/10.
- Utilising our lead role in the Clyde Valley Community Planning Partnership's Economic Strategy Review we will invite the 7 other unitary authorities to participate in developing and sharing comparative data to aid benchmarking of competitiveness measures by 30/6/10.
- By the end of December 2010 the group will have identified a core set of comparative measures to aid sensible benchmarking.
- Prepare an Improvement Plan for those areas which highlights that we are less competitive than our fellow Clyde Valley Community Planning Partnership unitary authorities by March 2011.

3.6.5 There is insufficient data to assess this service for competitiveness, however the actions identified above will allow the development of data and progress to be made over this operational year.

4. People Implications

4.1 There are no implications.

5. Financial Implications

5.1 There are no financial implications.

6. Risk Analysis

6.1 The KPMG action plan identified issues and recommendations relating to “benchmarking-comparability and decision making”, and “benchmarking-data quality”. KPMG considered these two items to have a grade three (minor) priority rating. While grade three is less significant than grades one and two, KPMG consider that they merit attention. There is therefore a risk that a failure to respond to these issues will draw criticism and the possibility that they may be given greater priority in future reports.

The management response to the issues and recommendations made by KPMG identified actions and timescales which are on track, therefore the risk of failing to respond to KPMG’s action plan is low.

7. Equalities Impact

7.1 No significant issues were identified in a screening for potential equality impact of these measures.

8. Conclusions and Recommendations

8.1 Only two of the five priority service areas identified at paragraph 2.3 above are included in the APSE benchmarking programme. The APSE data provided for both services is considered to be robust and valid.

8.2 Data analysis for Architectural Services and elements of Facilities Management provides some evidence that these services may be competitive although additional work has been identified for 2010/11 to fill key information gaps and progress areas of improvement identified that may contribute to improving competitiveness.

8.3 There is however insufficient information at national and regional levels at this time to assess competitiveness in Grounds Maintenance, Housing Management and Development Management and Building Standards. The actions identified by these services for 2010/11 will allow progress to be made, although it must be recognised that the involvement of other Councils is critical and will determine the speed and robustness of the data collected and analysed.

8.4 It is recommended that:

(i) the Committee note progress to date and the actions identified above (summarised in Appendix 3) to take forward activity to develop and evidence competitiveness in these five service areas; and

(ii) further reports are brought to the Committee on relevant issues during the next 12 months.

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Date: 9 April 2010

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Appendices: Appendix 1 - Professional Fees Comparison
Appendix 2 - External Benchmarking with Private Consultants
Appendix 3 - 2010/11 Key Actions

Background Papers: APSE analysis

Wards Affected: All