

# Agenda



Listening Learning Leading

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## A MEETING OF THE

# Scrutiny Committee

WILL BE HELD ON TUESDAY 22 APRIL 2014 AT 6.00 PM

COUNCIL CHAMBER, SOUTH OXFORDSHIRE DISTRICT COUNCIL OFFICES

This meeting will be broadcast live on the council's website and the record archived for future viewing. You can view this broadcast and access reports at [www.southoxon.gov.uk](http://www.southoxon.gov.uk).

### Members of the Committee:

Mrs Celia Collett, MBE (Chairman)

Ms Joan Bland (Vice-Chairman)  
Mr Steve Connel  
Mr John Cotton  
Ms Kristina Crabbe

Mrs Pat Dawe  
Mr Will Hall  
Mrs Eleanor Hards  
Mr Paul Harrison

Ms Elizabeth Hodgkin  
Mr Alan Rooke  
Mr David Turner  
Mrs Margaret Turner

### Substitutes

*Mr Roger Bell  
Mr Felix Bloomfield  
Mr David Bretherton  
Mr Bernard Cooper  
Mr Philip Cross  
Mrs Margaret Davies  
Mr Leo Docherty*

*Mr Mark Gray  
Mr Tony Harbour  
Mr Marcus Harris  
Mr Marc Hiles  
Ms Lynn Lloyd  
Mrs Ann Midwinter  
Ms Anne Purse*

*Mr Robert Simister  
Miss Rachel Wallis  
Mr Michael Welply  
Mrs Jennifer Wood  
Mrs Denise Macdonald*

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**1 Apologies**

**2 Declaration of disclosable pecuniary interest**

**3 Minutes of the previous meeting**

**Purpose:** to approve the minutes of the meeting on 20 February 2014.  
Minutes previously circulated.

**4 Performance review of Biffa to 31 December 2013** (Pages 3 - 18)

Report of the Head of Corporate Strategy (attached)

**Purpose:** to consider Biffa Municipal Limited's (Biffa) performance in delivering the household waste collection, street cleansing and ancillary services contract for the period 1 January 2013 to 31 December 2013 and make any comments to the Cabinet Member with responsibility for waste to enable him to make a final assessment on performance.

**5 Performance review of Sodexo to December 2013** (Pages 19 - 34)

Report of the Head of Corporate Strategy (attached)

**Purpose:** to consider Sodexo Limited's performance in delivering the grounds maintenance services contract for the period 1 January 2013 to 31 December 2013 and make any comments to the Cabinet Member with responsibility for grounds maintenance to enable him to make a final assessment on performance.

**6 Strategic Housing Market Assessment** (Pages 35 - 50)

Report of the Head of Planning.

MARGARET REED

Head of Legal and Democratic Services

# Scrutiny Committee Report

Report of Head of Corporate Strategy

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To: SCRUTINY COMMITTEE

DATE: 22 April 2014



## Performance review of Biffa Municipal Limited

### RECOMMENDATION

That the committee considers Biffa Municipal Limited's (Biffa) performance in delivering the household waste collection, street cleansing and ancillary services contract for the period 1 January 2013 to 31 December 2013 and makes any comments to the Cabinet Member with responsibility for waste to enable him to make a final assessment on performance.

### PURPOSE OF REPORT

1. The report considers the performance of Biffa in providing the household waste collection, street cleansing and ancillary services in South Oxfordshire for the period 1 January 2013 to 31 December 2013.

### STRATEGIC OBJECTIVES

2. The service contributes to the council's strategic objective of excellent delivery of key services with particular emphasis on achieving excellent levels of recycling, keeping streets and public spaces clean and attractive.

### BACKGROUND

3. Managing contractor performance is essential for delivering the council's objectives and targets. Since a high proportion of the council's services are outsourced, the council cannot deliver high quality services to its residents unless its contractors are performing well. Working jointly with contractors to review performance regularly is therefore essential.

4. The council's process for managing contractor performance focuses on continuous improvement and action planning. The council realises that the success of the framework depends on contractors and the council working together to set and review realistic, jointly agreed and measurable targets.
5. The overall framework is designed to be:
  - a way for the council to consistently measure contractor performance, to help highlight and resolve operational issues
  - flexible enough to suit each contract, including smaller contracts which may not require all elements of the framework
  - a step towards managing risk more effectively and improving performance through action planning.

## **OVERVIEW OF THE REVIEW FRAMEWORK**

6. Evaluating contractor performance has four elements:
  1. performance measured against key performance targets (KPT)
  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.
7. The first three dimensions are assessed and the head of service makes a judgement of classification. The fourth element is a summary of strengths and areas for improvement and includes contractor feedback. 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 the head of service.
8. Originally Verdant were awarded the joint waste contract in December 2008 with a commencement date in South Oxfordshire of June 2009. The Vale of White Horse element of the contract commenced in October 2010. In 2011 Verdant were bought by Biffa. Throughout 2013 negotiations have taken place with Biffa and in accordance with the conditions of contract it has been agreed to implement the option to extend for a seven year period. The contract is now due to end in June 2024.
9. The current value of the contract, as a fixed annual charge is £9,312,192 per annum of which South Oxfordshire's proportion is £5,022,576 per annum.
10. The contract includes delivery of the following services:
  - weekly collection of household food waste from 23 litre bins
  - fortnightly collection of household recycling from 240 litre wheeled bins or green sacks
  - fortnightly collection of household refuse from 180 litre wheeled bins or pink sacks this is collected on the alternate week to recycling

- emptying bulk bins for refuse and recycling and food waste bins which service flats and communal properties
- fortnightly collection of household garden waste to residents who have opted into this charged for service. There are currently 23,000 garden waste bins
- collection from bring banks
- collection of household bulky waste items for which there is a charge
- litter collection and cleansing of roads, streets and public areas
- emptying of litter and dog bins
- removal of fly-tipping.

### **DIMENSION 1 – KEY PERFORMANCE TARGETS**

11. KPT are included in the Biffa contract to provide a benchmark against which performance can be measured. The KPT cover those aspects of the service which are considered to be of most concern to our residents and are measured on an ongoing basis and reported monthly by Biffa. The KPT for this contract are:

- KPT 1 - missed collections – number of missed collections per week per 100,000 collections. Target - no more than 40
- KPT 2 - rectification of missed collections – percentage of reported missed household collections rectified within 24 hours. Target - 100 per cent
- KPT 3 - NI 192 - percentage of household waste sent for re-use, recycling and composting. 2013/14 Target – 52.5 per cent
- KPT 4 - NI 195 - improved street and environmental cleanliness – levels of litter and detritus. Targets - litter 4 per cent, detritus 7 per cent.

Since April 2011 national indicators for waste NI 192 and NI 195 are no longer used as national measures, however the council continues to use these as a measure of the contractor's performance.

### **KPT 1 – Missed Collections**

12. For the purpose of this report performance has been measured against the number of reported weekly missed collections per 100,000 collections for the period 1 January 2013 to 31 December 2013.
13. During this review period the number of weekly missed collections averaged 34 per 100,000 collections, the same number as last year. This is below the target of no more than 40 missed collections. The highest number of missed collections was recorded in April with an average of 41; more than 50 per cent of these were garden waste bins.

**KPT 2 - Rectification of missed collections**

14. This measure is the percentage of reported missed collections rectified within 24 hours of Biffa being informed. During this review period 98.9 per cent of missed collections were rectified within 24 hours of being reported. An improvement on last years figure of 97.6 per cent.

**KPT 3 - NI 192 percentage of household waste sent for re-use, recycling and composting**

15. At the commencement of the contract the council and Biffa agreed baselines for assumed recycling rates as follows:

- 2012/13 – 52.1 per cent
- 2013/14 – 52.5 per cent.

16. Table one below shows the performance for KPT 3 for the period to which this report relates, for information the previous two years figures are shown. A column indicating the total recycling tonnage is also included in the table. The figures indicate a reduction in the percentage of waste sent for recycling from last year, this is partly due to a full year of street sweepings being diverted from the garden waste tonnages to landfill.

Table One - NI 192 Performance

	Dry recycling (tonnes)	Food waste (tonnes)	Garden waste (tonnes)	Total Recycling (tonnes)	Refuse to Landfill (tonnes)	NI192
1 January – 31 December 2011	17,776	5,488	9,650	32,914	15,100	68.5%
1 January – 31 December 2012	17,435	5,025	9,622	32,082	16,551	65.96%
1 January – 31 December 2013	17,094	5,312	8,645	31,051	19,608	61.29%

**KPT 4 – NI 195 Improved street and environmental cleanliness – levels of litter and detritus**

17. At the commencement of the contract, the council and Biffa agreed targets for litter and detritus. These targets were as follows:

- no more than four per cent of relevant land to have unacceptable levels of litter
- no more than seven per cent of relevant land to have unacceptable levels of detritus.

18. As previously mentioned we no longer report on NI 195, however officers have continued to monitor street cleanliness using the same methodology. In previous years technical officers undertook these inspections, this year's inspections were carried out by an independent company specialising in this type of work.
19. The scores achieved in this review period were, level of litter 2.5 per cent and level of detritus 9.8 per cent. This was an increase in the litter level from last years 0.4 per cent. However this was a further improvement on previous levels of detritus, last years figure was 10.7 per cent and in 2011 it was 24.7 per cent.
20. Based on Biffa's performance an overall "average" KPT performance rating score of 4.0 has been achieved. An analysis of performance against the KPT can be found in Annex A.
21. For reasons of consistency with previous assessments, and for fairness between contractors, the following is a rough guide to the assessment of Biffa against all KPT:

Score	1 – 1.4999	1.5 – 2.499	2.5 – 3.499	<b>3.5 – 4.499</b>	4.5 – 5.0
Classification	Poor	Weak	Fair	<b>Good</b>	Excellent

22. The head of service has made a judgement on KPT performance as follows:

KPT judgement

Previous KPT judgement for comparison

## DIMENSION 2 – CUSTOMER SATISFACTION

23. Customer satisfaction for this report has been measured by the results of the most recent residents survey carried out in December 2013. M-E-L Research was commissioned to undertake a door stepping survey. In total 1102 responses were received.
24. The main areas of questioning regarding satisfaction with the waste service were:
- satisfaction with the waste and recycling collection service
  - satisfaction with street cleaning and keeping the area clean and litter free.
25. Overall satisfaction with the waste service was 82 per cent. This compares to an overall satisfaction rating of 79.23 per cent achieved in the previous residents' survey in 2012.
26. In terms of the satisfaction with the waste and recycling collection service 88 per cent are either satisfied or very satisfied, this is an improvement on the 2012 residents' survey which scored a satisfaction rating of 85 per cent.
27. In terms of street cleansing 75 per cent are either satisfied or very satisfied with the cleanliness of the streets and pavements in their local area. This is an improvement on the 2012 survey which scored a satisfaction rating of 72 per cent.

28. Based on Biffa’s performance a combined overall customer satisfaction rating score of 3.86 has been achieved. An analysis of customer satisfaction can be found in Annex B.
29. For reasons of consistency with previous assessments, and for fairness between contractors, the following is a rough guide to the assessment of Biffa on overall customer satisfaction:

Score	<3.0	3.0 – 3.399	<b>3.4 – 3.899</b>	3.9 – 4.299	4.3 – 5.0
Classification	Poor	Weak	<b>Fair</b>	Good	Excellent

30. Based on this performance, even though the scoring mechanism produces a fair rating the head of service has made a judgement on customer satisfaction of good for the following reasons:

- the rating of good was only missed by 0.04
- only 16 formal complaints received
- the other areas of note in paragraph 36
- the council received 25 compliments about the service.

Customer satisfaction judgement

Previous customer satisfaction judgement for comparison

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

31. As part of the performance review officers with direct knowledge and who frequently interact with the contractor were asked to complete a short questionnaire, this included the strategic director, head of service, shared waste manager and technical monitoring officers. In total seven questionnaires were sent out and returned.
32. Based on Biffa’s performance an overall council satisfaction rating score of 4.05 has been achieved. Last years overall rating score was 4.03. An analysis of council satisfaction can be found in Annex C.
33. For reasons of consistency with previous assessments, and for fairness between contractors, the following is a rough guide to the assessment of Biffa on council satisfaction:

Score	<3.0	3.0 – 3.399	3.4 – 3.899	3.9 – 4.299	4.3 – 5.0
Classification	Poor	Weak	Fair	<b>Good</b>	Excellent

34. Based on this performance, the head of service has made a judgement on council satisfaction as follows:



Council satisfaction judgement

Previous council satisfaction judgement for comparison

## OVERALL ASSESSMENT

35. Taking into account the performance of the contractor against KPT, customer satisfaction and council satisfaction, the head of service has made an overall judgement as follows.

Overall assessment

Previous overall assessment for comparison

36. Other areas of note within the period of this review are:

- confirmed by DEFRA as the second highest recycling authority nationally for 2012/13
- the introduction of free garden waste to military establishments
- the success of the deep cleanse throughout the district
- finalist in the LGC awards for the Frontline Team of the Year.

## STRENGTHS AND AREAS FOR IMPROVEMENT

37. Annex C also records strengths and areas for improvement relating to the performance of the contractor in this review period.

38. Areas for improvement identified in last years review were:

- getting things right the first time – this continues to be an issue with crew members not always following the prescribed procedure such as bin placements after collections, this is despite action being taken against individual crew members
- managing job requests – the waste team has a good working relationship with the supervisors who are responsive to requests and are always helpful when resolving issues
- data collection and providing data to the council – this has improved and the data received on tonnages is now more accurate
- keeping the technology working to its full potential – there has continued to be some problems keeping the technology working. Biffa have been trialling an upgraded version of the current system which if fully implemented will provide a lot more real time data

- need to be more pro active with feeding information on operational issues such as Health and Safety information requests – this has improved with information being passed to the council on a daily basis. There have also been regular joint inspections to monitor the crews by the technical officers and supervisors which have been extremely beneficial
- need additional supervisory cover and admin support for back office work - this has happened with additional administrative support in the office and an additional supervisor. However due to staff leaving and reallocation of roles and responsibilities the full benefit of the additional supervisor has not yet been fully realised
- delivering targeted communications – there has been a targeted campaign to encourage more recycling in particular food waste and plastics. Work was done by Biffa to identify why residents didn't recycle food waste and plastics which has informed the campaign. The campaign has included bin stickering, leaflets to every resident and an advert on the back of the car park tickets
- customer care at certain times – Based on recent survey results we know this has improved. The call centre manager has continued to implement additional training for the call centre staff. They have also attended council run customer service excellence training.

39. During last years review the committee asked officers that :

- the schedule of areas to be deep cleaned be put in the councillor's information sheets well in advance, along with a request for councillors to nominate areas to be cleaned – this has happened on a monthly basis, we have also continued to write to each of the parish councils in advance
- the street cleaning schedule be made available to all councillors - we have looked at this jointly with Biffa who do work to a schedule, however due to the nature of the work which is output based rather than a frequency these schedules very quickly get out of date. The emphasis of Defra's Code of Practice is to encourage councils to maintain their land within acceptable cleanliness standards not on how often an area is cleaned. We have concentrated on getting more accurate details of where the crews have operated on a particular day, this information is sent to the council on a daily basis.

## COMMENTS AND COMPLAINTS

40. The council received sixteen official stage one complaints during this review period relating to the waste service, of these ten related to failure to collect bins from particular properties, the others included damage to a grass verge, damaged bins, that we stopped collecting from individual properties at RAF Benson, lack of street cleansing and the removal of bins a resident wasn't entitled to. There was one complaint that escalated to stage two.

41. During this review period Biffa received 25 compliments from South Oxfordshire residents relating to the waste service such as:

- “There is one man who is very visible in his yellow jacket doing a very important job cleaning our streets.... I know that many people in the town appreciate his hard work so I would like to join them by putting on public record my appreciation for the way this man goes about his work with such commitment'.
- “Just to thank you all for the efficiency and courtesy with which you have served us over the last year, and a particular thank you to the collection teams for Waterstock who have been unfailing cheery and friendly even on miserable days like today”
- 'They are courteous and polite and under the circumstances working with our rubbish that is saying something'
- “I would sincerely like to thank your team for their bulky waste service. They were excellent, polite and reliable. A service that you rarely get in todays society”

## **CONTRACTORS FEEDBACK**

42. A key feature of the process for reviewing the performance of contractors is that the council provides them with an opportunity to give their feedback on the assessment, including suggestions for improvements to council processes. This is included in Annex D.

## **FINANCIAL IMPLICATIONS**

43. There are no financial implications arising from this report.

## **LEGAL IMPLICATIONS**

44. There are no legal implications arising from this report.

## **CONCLUSION**

45. The last year has been another extremely successful one for the service retaining second place nationally for recycling with a rate of 65.32 per cent for the 2012/13 financial year. The service continues to be well thought of by the residents with 82 per cent of residents being satisfied or very satisfied overall with the waste service. The negotiations to extend the contract have produced some significant savings some of which will commence in 2014. However, there are still some areas for improvement and therefore the head of corporate strategy has assessed Biffa's performance as good for its delivery of the household waste collection, street cleansing and ancillary services contract. The committee is asked to make any comments to the Cabinet Member with responsibility for waste to enable him to make a final assessment on performance.

## **BACKGROUND PAPERS**

46. None

## Annex A – Key performance targets

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	missed collections	No more than 40 missed collection per 100,000 collections	average 34 missed collections	fair	3
KPT 2	rectification of missed collections	100 % rectified within 24 hours of contractor being informed	98.9%	good	4
KPT 3	percentage of household waste sent for re-use, recycling and composting	52.5%	61.29%	excellent	5
KPT 4	improved street and environmental cleanliness – levels of litter and detritus	4% litter 7% detritus	2.5% 9.8%	good	4
Overall “average” KPT performance rating score (arithmetic average) refers to point 20 in the report					4.0
Overall “average” KPT performance (excellent, good, fair, weak or poor)					Good

## Annex B – Customer satisfaction

In total, 1102 residents responded to questions about the waste contract.

### Q. How satisfied are you, with the waste and recycling collection service?

Rating	Number of residents	Score equivalent	Total
Very satisfied	284	X 5	1420
Fairly satisfied	686	X 4	2744
Neither satisfied or dissatisfied	49	X3	147
Not very satisfied	58	X 2	116
Not at all satisfied	21	X 1	21
Don't know	4		
<b>Total</b>	<b>1102</b>		<b>4448</b>

Waste and recycling collection service - resident satisfaction calculation:  $4448 \div 1102 = 4.03$

The following is a guide to the assessment of Biffa on customer satisfaction for the waste collection service:

Score	<3.0	3.0 – 3.399	3.4 – 3.899	3.9 – 4.299	4.3 – 5.0
Classification	Poor	Weak	Fair	<b>Good</b>	Excellent

### Q. How satisfied are you with the standard of cleanliness of the streets and pavements in the village or town where you live?

Rating	Number of residents	Score equivalent	Total
Very satisfied	134	X 5	670
Fairly satisfied	694	X 4	2776
Neither satisfied or dissatisfied	89	X 3	267
Not very satisfied	116	X 2	232
Not at all satisfied	51	X 1	51
Don't know	17		
<b>Total</b>	<b>1101</b>		<b>3996</b>

Standard of cleanliness - resident satisfaction calculation:  $3996 \div 1101 = 3.62$

The following is a guide to the assessment of Biffa on customer satisfaction for the standard of cleanliness of the streets and pavements:

Score	<3.0	3.0 – 3.399	3.4 – 3.899	3.9 – 4.299	4.3 – 5.0
Classification	Poor	Weak	<b>Fair</b>	Good	Excellent

The combined overall customer satisfaction rating for the waste and recycling collection service and standard of cleanliness is calculated as follows:

Residents total scores ÷ number of residents (excluding “don’t knows”)

$$(4448 + 3996) \div (1098 + 1084) = 3.86 \text{ (refers to point 28 in the report)}$$

## Annex C - Council satisfaction

This assessment allows the council (as a client) to record its own satisfaction with aspects of a contractor's performance which lie outside Key Performance Targets and customer satisfaction. Each officer with direct knowledge and who frequently interacts with the contractor should complete this form. Some questions can be left blank if the officer does not have direct knowledge of that particular question.

The numbers indicated in the following table are the total number of responses received for each question

Contractor / supplier / partner name

From (date)  To

### SERVICE DELIVERY

Attribute	(5) Very satisfied	(4) Satisfied	(3) Neither	(2) Dis-satisfied	(1) Very dissatisfied
1 Understanding of the client's needs	1	5	1		
2 Response time	1	4	1	1	
3 Delivers to time		5	2		
4 Delivers to budget	4				
5 Efficiency of invoicing	1	3			
6 Approach to health & safety	3	3	1		

### COMMUNICATIONS AND RELATIONS

Attribute	(5) Very satisfied	(4) Satisfied	(3) Neither	(2) Dis-satisfied	(1) Very dissatisfied
9 Easy to deal with	3	4			
10 Communications / keeping the client informed	1	3	2	1	
11 Quality of written documentation	1	3	3		
12 Compliance with council's corporate identity	2	1	3		
13 Listening	2	5			
14 Quality of relationship	4	3			

## IMPROVEMENT AND INNOVATION

Attribute	(5) Very satisfied	(4) Satisfied	(3) Neither	(2) Dis-satisfied	(1) Very dissatisfied
15 Offers suggestions beyond the scope of work		5	2		
16 Degree of innovation		4	3		
17 Goes the extra mile	3	3	1		
18 Supports the council's sustainability objectives	3	1	2		
19 Supports the council's equality objectives	3	2	2		
20 Degree of partnership working	3	3	1		

The following table is a summary of council satisfaction based on the completed questionnaires

Rating	Votes	Score equivalent	Total
very satisfied	35	X 5	175
satisfied	57	X 4	228
neither satisfied or dissatisfied	24	X 3	72
dissatisfied	2	X 2	4
very dissatisfied	0	X 1	0
<b>Total</b>	<b>118</b>		<b>479</b>

The overall council satisfaction is calculated as follows:  $479 \div 118 = 4.05$  (refers to point 32 in the report)

## STRENGTHS AND AREAS FOR IMPROVEMENT

Strengths

Biffa are always extremely helpful at responding to emergencies such as snow and flooding and going that extra mile
They work collaboratively with us as partners, for example we are jointly working to map our processes to make them as efficient as possible and to provide great services to our customers
They are great at delivering a waste collection service – nationally we are in the top three councils for recycling and we get great customer feedback
Link well at a corporate/strategic level
Good mature relations
Positive attitude and always looking to improve a process if needed
A well run service



Good partnership working
Provide a good service and are always willing to resolve a problem when it has been brought to their attention

Areas for improvement

There are some re-occurring problem properties which take a disproportionate amount of officer time to deal with, when better frontline supervision could prevent the behaviour that causes the complaint
When Biffa have problems with broken down vehicles or incomplete rounds they could be pro-active and tell us sooner so that we are aware of what is happening on the collection rounds and can advise residents when we need to
Biffa could be more innovative, that said whenever we suggest a change they are always ready to work with us to implement it, eg kerb side battery collections
Would like to see more pro-active actions on many areas of the day to day working. This should stop the need to chase for information
Responding to requests for information in a more timely manner
Better communications time frames
Communications between different levels of staff members
Less frequent staff changes
A few recurring problems at certain properties normally as a result of particular crews not performing

## **Annex D - Contractor 360° feedback**

### **CONTRACTOR'S REACTION / FEEDBACK ON COUNCIL'S ASSESSMENT**

We are happy with this report. Over the last few months we have faced a massive task with the environmental conditions we have been dealt. This has led to the stretching of our resources, but has once again, as hopefully demonstrated in this report, the collaboratively mindset that both the council and Biffa take to dealing with adversity.

We will certainly look at the areas that have been identified in which we can improve, as it is appreciated that these are justified concerns.

### **ANY AREAS WHERE CONTRACTOR DISAGREES WITH ASSESSMENT**

This is a recurring issue and it is completely understood that the formulaic process means that this is unavoidable, but 34 missed bins per 100000 collections should be considered better than fair.

### **WHAT COULD / SHOULD THE COUNCIL DO DIFFERENTLY TO ENABLE THE CONTRACTOR TO DELIVER THE SERVICE MORE EFFICIENTLY / EFFECTIVELY / ECONOMICALLY?**

N/A

Feedback provided by

Date

# Scrutiny Committee Report

Report of Head of Corporate Strategy

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To: SCRUTINY COMMITTEE

DATE: 22 April 2014



## Performance review of Sodexo Ltd (Horticultural Services)

### RECOMMENDATION

That the committee considers Sodexo Limited's performance in delivering the grounds maintenance services contract for the period 1 January 2013 to 31 December 2013 and makes any comments to the Cabinet Member with responsibility for grounds maintenance to enable him to make a final assessment on performance.

### PURPOSE OF REPORT

1. The report considers the performance of Sodexo in providing grounds maintenance services in South Oxfordshire for the period 1 January 2013 to 31 December 2013.

### STRATEGIC OBJECTIVES

2. The service contributes to the council's strategic objective of excellent delivery of key services with particular emphasis on delivering high performance services, keeping public spaces clean and attractive and ensuring good quality sport and leisure provision.

### BACKGROUND

3. Managing contractor performance is essential for delivering the council's objectives and targets. Since a high proportion of the council's services are outsourced, the council cannot deliver high quality services to its residents unless its contractors are performing well. Working jointly with contractors to review performance regularly is therefore essential.

4. The council's process for managing contractor performance focuses on continuous improvement and action planning. The council realises that the success of the framework depends on contractors and the council working together to set and review realistic, jointly agreed and measurable targets.
5. The overall framework is designed to be:
  - a way for the council to consistently measure contractor performance, to help highlight and resolve operational issues
  - flexible enough to suit each contract, including smaller contracts which may not require all elements of the framework
  - a step towards managing risk more effectively and improving performance through action planning.

## **OVERVIEW OF THE REVIEW FRAMEWORK**

6. Evaluating contractor performance has four elements:
  1. performance measured against key performance targets (KPT)
  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.
7. The first three dimensions are assessed and the head of service makes a judgement of classification. The fourth element is a summary of strengths and areas for improvement and includes contractor feedback. Where some dimensions are not relevant or are difficult to apply fairly to certain types of contract, the framework may be adjusted or simplified at the discretion of the head of service.
8. Sodexo were awarded a joint contract for South Oxfordshire and Vale of White Horse district councils for the provision of grounds maintenance in October 2011 with a commencement date of January 2012.
9. The current value of the contract, as a fixed annual charge is £430,613 per annum of which South Oxfordshire's proportion is £74,044 per annum. The contract is due to end in December 2016. There is an option to extend for a further three years, subject to satisfactory performance.
10. This review is based on Sodexo's performance across the contract as a whole not just the areas owned by South Oxfordshire. South Oxfordshire's elements of the contract includes delivery of the following services:
  - grass cutting
  - maintenance of shrub beds
  - maintenance of hedges
  - maintenance of play areas

- litter clearance
- vegetation control of hard surfaces
- minor tree works
- burials at Wallingford and Kidmore End cemeteries.

## **DIMENSION 1 – KEY PERFORMANCE TARGETS**

11. KPT are recognised as an important element of monitoring the contractor's performance. The KPT cover those aspects of the service which are considered to be most important as a means of benchmarking against which performance can be measured. The KPT are:

- KPT 1 – quality inspection– the average percentage quality rating of randomly selected play areas and open spaces. Target - 85 per cent
- KPT 2 – the percentage of notifications and complaints that are resolved within agreed timescales. Target 90 per cent
- KPT 3 – Overall customer satisfaction rating for the grounds maintenance service. Target – 85 per cent
- KPT 4 – Percentage of actions, identified as part of health and safety audit inspections, which are rectified within agreed time scales. Target 95 per cent
- KPT 5 – Percentage of work orders issued that are completed within agreed time scales. Target 80 per cent.

### **KPT 1 – quality inspections**

12. This KPT is measured by monthly joint inspections by the client and contractor of randomly selected sites. As well as an overall assessment, providing a general impression of the quality of the service being achieved, each service activity for the particular site is subject to a more detailed assessment and given a score out of ten. The total of all scores for the site are then shown as a percentage, for the purposes of this review the average for the year is then calculated.

13. During this review period the average quality percentage rating of randomly selected play areas and open spaces was 86 per cent. This is above the target of 85 per cent and an improvement on last year's scores of 82.2 per cent for play areas and 80 per cent for open spaces. Last year's KPT for play areas and open spaces has been combined into this single KPT. In total 36 joint inspections took place.

## **KPT 2 – percentage of notifications and complaints that are resolved within agreed timescales**

14. This KPT is measured by evaluating the length of time the contractor takes to resolve an issue that has been brought to their attention. These can be as a result of a member of the public contacting us or as a result of the councils parks team monitoring. A notification notice is issued to the contractor with a period of time to resolve the issue, the amount of time given varies depending on the nature of the issue. For the purpose of this review the number of notifications resolved in the agreed timescale is shown as a percentage.
15. This is a new KPT agreed at the last performance review so has only been measured since April. During the period April – December 124 notices were issued and 86 (69.3 per cent) were completed within the time scales. This is below the target of 90 per cent and is an area for improvement.

## **KPT 3 – overall customer satisfaction**

16. The overall customer satisfaction rating for the cleanliness and maintenance of the council owned parks and open spaces was 92.5 per cent. This is based on 100 respondents out of 108 being fairly or very satisfied. More details of customer satisfaction are included in Dimension 2 that follows.

## **KPT 4 – percentage of actions identified during health and safety monitoring that are rectified within agreed timescales.**

17. Joint health and safety inspections by the contracts supervisor and parks officer took place on a quarterly basis throughout the review period and involved attending sites, observing the crews and examining personal protective clothing and machinery.
18. The inspections identified only five issues that required rectification. These were all rectified within the agreed timescale, exceeding the target of 95 per cent. We intend to increase the frequency of these inspections to monthly. This year we have worked with Sodexo to undertake specific site risk assessments and have completed a bank register of our sites; this identifies areas that are too steep to mow with certain mowers.

## **KPT 5 – percentage of work orders completed within agreed timescales**

19. Additional work not included within the core service is issued to Sodexo as a work order. This includes a timescale in which to complete the work. The timescales vary depending on the urgency of the work required.
20. This is a new KPT agreed at the last performance review so has only been measured since April. During the period April – December 166 work orders have been issued and 131 were completed within time. This is 79 per cent against a target of 80 per cent.
21. Based on Sodexo's performance an overall "average" KPT performance rating score of 4.0 has been achieved. An analysis of performance against the KPT can be found in Annex A.
22. For reasons of consistency and for fairness between contractors, the following is a rough guide to the assessment of Sodexo against all KPT:

Score	1 – 1.4999	1.5 – 2.499	2.5 – 3.499	3.5 – 4.499	4.5 – 5.0
Classification	Poor	Weak	Fair	<b>Good</b>	Excellent

23. The head of service has made a judgement on KPT performance as follows:

KPT judgement

Previous KPT judgement for comparison

## DIMENSION 2 – CUSTOMER SATISFACTION

24. Customer satisfaction for this report has been measured by the results of questionnaires handed out to users of the council’s parks, open spaces and play areas and sent to external customers such as the local undertakers who use the council’s cemeteries. In total 109 questionnaires were completed.

25. The main areas of questioning relating to satisfaction with the grounds maintenance service were :

- satisfaction with the overall grounds maintenance service
- satisfaction with the different elements of the grounds maintenance service
- whether there were areas of maintenance that customers were dissatisfied with.

26. There were no official complaints logged as part of the council’s formal complaints procedure during the review period. We received three compliments directly linked to Sodexo’s work.

27. Based on Sodexo’s performance a combined overall customer satisfaction rating score of 4.67 has been achieved. An analysis of customer satisfaction can be found in Annex B.

28. For reasons of consistency with previous assessments, and for fairness between contractors, the following is a rough guide to the assessment of Sodexo on overall customer satisfaction:

Score	<3.0	3.0 – 3.399	3.4 – 3.899	3.9 – 4.299	4.3 – 5.0
Classification	Poor	Weak	Fair	Good	<b>Excellent</b>

29. Based on this performance, the head of service has made a judgement on customer satisfaction as follows:

Customer satisfaction judgement

Previous customer satisfaction judgement for comparison

### DIMENSION 3 – COUNCIL SATISFACTION

30. As part of the performance review officers with direct knowledge and who frequently interact with the contractor were asked to complete a short questionnaire, this included the shared parks manager, parks officers and monitoring officer. In total five questionnaires were sent out and returned.
31. Based on sodexo’s performance an overall council satisfaction rating score of 3.79 has been achieved. This is an improvement on last years score of 3.50. An analysis of council satisfaction can be found in Annex C.
32. For reasons of consistency with previous assessments, and for fairness between contractors, the following is a rough guide to the assessment of Sodexo on council satisfaction:

Score	<3.0	3.0 – 3.399	3.4 – 3.899	3.9 – 4.299	4.3 – 5.0
Classification	Poor	Weak	<b>Fair</b>	Good	Excellent

33. Based on this performance, the head of service has made a judgement on council satisfaction as follows:

Council satisfaction judgement

Previous council satisfaction judgement for comparison

### OVERALL ASSESSMENT

34. Taking into account the performance of the contractor against KPT, customer satisfaction and council satisfaction, the head of service has made an overall judgement as follows.

Overall assessment

Previous overall assessment for comparison

35. Other areas of note within the period of this review are:

- The responsibility for managing trees owned by South Oxfordshire has been moved from the Forestry Team to the Parks Team.

### STRENGTHS AND AREAS FOR IMPROVEMENT

36. Annex C also records strengths and areas for improvement relating to the performance of the contractor in this review period.
37. At the last performance review there were some concerns raised with Sodexo’s performance in their first year and areas for improvement identified. As a result an



action plan was drawn up to address these concerns. Attached to this report is an update on progress of that action plan.

## **CONTRACTORS FEEDBACK**

38. A key feature of the process for reviewing the performance of contractors is that the council provides them with an opportunity to give their feedback on the assessment, including suggestions for improvements to council processes. This is included in Annex D.

## **FINANCIAL IMPLICATIONS**

39. There are no financial implications arising from this report.

## **LEGAL IMPLICATIONS**

40. There are no legal implications arising from this report.

## **CONCLUSION**

41. The second year of the contract has gone much better than the first year and we are continuing to build a good working relationship with Sodexo. The introduction of new working hours during the summer and winter periods proved to be very successful and enabled Sodexo to keep on top of the grass cutting through the peak period of growth. Sodexo have introduced the apprenticeship scheme which has been positive, although the real benefit will be seen in the future as the apprentices build up their experience and complete their training. The fact that no formal complaints have been received and that the number of enquiries from members of the public has reduced dramatically is an indication that the residents of the district are happy with the service provided. We do still have some concerns about the level of resources available during peak times which is reflected in the poor performance of KPT2. We will work with Sodexo to improve this going forward.

42. The committee is asked to make any comments to the Cabinet Member with responsibility for grounds maintenance to enable him to make a final assessment on performance.

## **BACKGROUND PAPERS**

43. None

## Annex A – Key performance targets

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	average percentage quality rating of randomly selected play areas and open spaces	85 %	86 %	excellent	5
KPT 2	percentage of notifications and complaints resolved within timescale	90%	69.3%	poor	1
KPT 3	Overall customer satisfaction	85%	92.5%	excellent	5
KPT 4	percentage of actions identified during health and safety monitoring that are rectified with agreed timescales	95%	100%	excellent	5
KPT 5	percentage of work orders completed within agreed timescales	80%	79%	good	4
Overall “average” KPT performance rating score (arithmetic average) refers to point 21 in the report					4.0
Overall “average” KPT performance (excellent, good, fair, weak or poor)					good

## Annex B – Customer satisfaction

In total, 109 users completed a questionnaire about the grounds maintenance service although not all questions were answered by every respondent..

### Q. How satisfied overall are you with the cleanliness and maintenance of the park?

Rating	Number of users	Score equivalent	Total
Very satisfied	79	X 5	395
Fairly satisfied	21	X 4	84
Neither satisfied or dissatisfied	7	X3	21
Not very satisfied	1	X 2	2
Not at all satisfied	0	X 1	
<b>Total</b>	<b>108</b>		<b>502</b>

Overall satisfaction with cleanliness and maintenance  $502 \div 108 = 4.64$

The following is a guide to the assessment of Sodexo on overall customer satisfaction for the grounds maintenance service:

Score	<3.0	3.0 – 3.399	3.4 – 3.899	3.9 – 4.299	<b>4.3 – 5.0</b>
Classification	Poor	Weak	Fair	Good	<b>Excellent</b>

### Q. How satisfied are you with the standard of grass cutting?

Rating	Number of users	Score equivalent	Total
Very satisfied	82	X 5	410
Fairly satisfied	16	X 4	64
Neither satisfied or dissatisfied	3	X 3	9
Not very satisfied	0	X 2	0
Not at all satisfied	1	X 1	1
<b>Total</b>	<b>102</b>		<b>484</b>

Satisfaction with standard of grass cutting calculation:  $484 \div 102 = 4.74$

The following is a guide to the customer satisfaction assessment of Sodexo for the standard of grass cutting:

Score	<3.0	3.0 – 3.399	3.4 – 3.899	3.9 – 4.299	4.3 – 5.0
Classification	Poor	Weak	Fair	Good	<b>Excellent</b>

**Q. How satisfied are you with the standard of shrub bed maintenance?**

Rating	Number of users	Score equivalent	Total
Very satisfied	79	X 5	395
Fairly satisfied	17	X 4	68
Neither satisfied or dissatisfied	3	X 3	9
Not very satisfied	1	X 2	2
Not at all satisfied	1	X 1	1
<b>Total</b>	<b>101</b>		<b>475</b>

Satisfaction will standard of shrub bed maintenance calculation:  $475 \div 101 = 4.70$

The following is a guide to the customer satisfaction assessment of Sodexo for the standard of shrub bed maintenance:

Score	<3.0	3.0 – 3.399	3.4 – 3.899	3.9 – 4.299	4.3 – 5.0
Classification	Poor	Weak	Fair	Good	<b>Excellent</b>

**Q. How satisfied are you that the park is kept litter free?**

Rating	Number of users	Score equivalent	Total
Very satisfied	73	X 5	365
Fairly satisfied	22	X 4	88
Neither satisfied or dissatisfied	3	X 3	9
Not very satisfied	2	X 2	4
Not at all satisfied	1	X 1	1
<b>Total</b>	<b>101</b>		<b>467</b>

Satisfaction that the park is kept clear of litter calculation:  $467 \div 101 = 4.62$

The following is a guide to the customer satisfaction assessment of Sodexo that the park is kept clear of litter:

Score	<3.0	3.0 – 3.399	3.4 – 3.899	3.9 – 4.299	4.3 – 5.0
Classification	Poor	Weak	Fair	Good	<b>Excellent</b>

The combined overall customer satisfaction rating for the grounds maintenance is calculated as follows:

Users total weighted scores ÷ number of users  
 $(502 + 484 + 475 + 467) \div (108 + 102 + 101 + 101)$

$1928 \div 412 = 4.67$  (refers to point 27 in the report)

## Annex C - Council satisfaction

This assessment allows the council (as a client) to record its own satisfaction with aspects of a contractor's performance which lie outside Key Performance Targets and customer satisfaction. Each officer with direct knowledge and who frequently interacts with the contractor should complete this form. Some questions can be left blank if the officer does not have direct knowledge of that particular question.

The numbers indicated in the following table are the total number of responses received for each question

Contractor / supplier / partner name

From (date)  To

### SERVICE DELIVERY

Attribute	(5) Very satisfied	(4) Satisfied	(3) Neither	(2) Dis-satisfied	(1) Very dissatisfied
1 Understanding of the client's needs		5			
2 Response time		4	1		
3 Delivers to time		4	1		
4 Delivers to budget	1	2	1		
5 Efficiency of invoicing		1	2	1	
6 Approach to health & safety	1	3	1		

### COMMUNICATIONS AND RELATIONS

Attribute	(5) Very satisfied	(4) Satisfied	(3) Neither	(2) Dis-satisfied	(1) Very dissatisfied
9 Easy to deal with	1	4			
10 Communications / keeping the client informed		3	2		
11 Quality of written documentation		2	1		
12 Compliance with council's corporate identity		5			
13 Listening	1	3	1		
14 Quality of relationship		5			

## IMPROVEMENT AND INNOVATION

Attribute	(5) Very satisfied	(4) Satisfied	(3) Neither	(2) Dis-satisfied	(1) Very dissatisfied
15 Offers suggestions beyond the scope of work		1	4		
16 Degree of innovation		1	3		
17 Goes the extra mile		5			
18 Supports the council's sustainability objectives		3	1		
19 Supports the council's equality objectives		4			
20 Degree of partnership working	1	2	2		

The following table is a summary of council satisfaction based on the completed questionnaires

Rating	Votes	Score equivalent	Total
very satisfied	5	X 5	25
satisfied	57	X 4	228
neither satisfied or dissatisfied	20	X 3	60
dissatisfied	1	X 2	2
very dissatisfied	0	X 1	0
<b>Total</b>	<b>83</b>		<b>315</b>

The overall council satisfaction is calculated as follows:  $315 \div 83 = 3.79$  (refers to point 31 in the report)

## STRENGTHS AND AREAS FOR IMPROVEMENT

### Strengths

The local core staff who know the sites and have worked on the councils areas for many years
Easy to contact and deal with
Partnership working
Responsive to requests for additional services such as flooding and snow clearance
The recording of work completed has improved
Training programme introduced for new and existing staff

### Areas for improvement

Transparency and honesty with regards to day to day operational issues
Quicker response time to Notification Notices
Additional resources and equipment to deal with peak periods of work
Additional supervision to monitor crews

## **Annex D - Contractor 360° feedback**

### **CONTRACTOR'S REACTION / FEEDBACK ON COUNCIL'S ASSESSMENT**

Continuous improvement is key to Sodexo's corporate strategy, and I am very pleased that the overall assessment received is 'Good' and an improvement on last year. Notably Customer Satisfaction has received an 'Excellent' assessment something we can all be very proud of. With substantial operational changes made last year to our staffing structure, we are now seeing these benefits on the ground through our service delivery. Training and Development of our staff in their NVQ Level II in horticulture continues.

We now need to make further improvements in partnership working to ensure greater levels of satisfaction within the council, resolving complaints more efficiently to ensure we continue to develop and lay sound foundations for the future of the contract. The Horticultural Services team and myself are committed to this.

### **ANY AREAS WHERE CONTRACTOR DISAGREES WITH ASSESSMENT**

No

### **WHAT COULD / SHOULD THE COUNCIL DO DIFFERENTLY TO ENABLE THE CONTRACTOR TO DELIVER THE SERVICE MORE EFFICIENTLY / EFFECTIVELY / ECONOMICALLY?**

Continued partnership working

Support with winter works to retain our seasonal workforce

Feedback provided by

Date

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## GROUNDS MAINTENANCE ACTION PLAN 2012/2013

Priority Order	Task	Actions	Purpose	Target Completion Date	Completion Date	Responsibility for Action	Comments
1	Review overall performance for 2012 and identify areas for improvements and successes	Arrange meeting between client and contractor	Assess Sodexo performance in 2012 and identify areas for improvement	Dec-12	Dec-12	Joint	Various meetings took place during the winter period
2	Agree set of Key Performance Targets to monitor contractors performance	Sodexo and council officers to agree a set of 5 key performance targets to monitor contractor performance	To monitor Sodexo 's performance against measurable targets	Dec-12	Jan-12	Joint	
		Present targets to Scrutiny for approval	To monitor Sodexo 's performance against measurable targets	Mar-13	Mar-13	Vale	
3	Review staffing levels and amend team structure	Staffing levels reviewed	To improve efficiency and increase overall productivity	Dec-12	Dec-12	Sodexo	
4	Adopt seasonal working hours	Negotiate with Staff and unions and agree summer/winter working hours	To improve efficiency and increase overall productivity during peak workload period	Dec-13	Apr-13	Sodexo	Agreed to 45 hours summer and 32 hours winter
5	Produce comprehensive annual programme	Produce programme identifying all annual routine contract work	To monitor Sodexo 's performance against an agreed programme of work	Jan-13	Jan-13	Sodexo	
		Provide weekly updates to the council	To monitor Sodexo 's performance against an agreed programme of work	Dec-13	Dec-13	Sodexo	
6	Amend mowing routes	Review existing routes and identify improvements for the 2103 season	To improve efficiency and increase overall productivity	Feb-13	Mar-13	Sodexo	New routes identified, additional team created
7	Amend machinery inventory across contract	Decide on most appropriate machinery to use on new routes to improve efficiency	To improve efficiency and increase overall productivity	Feb-13	Feb-13	Joint	
8	Review travel arrangement for teams	Appropriate staff allowed to work from home and go home from site each day	To improve fuel use and efficiency and increase overall productivity	Feb-13	Feb-13	Sodexo	
9	Implement the apprenticeship scheme	Undertake a selection process between January and March	To improve efficiency and standards of work	Apr-13	Apr-13	Sodexo	Apprentices started on 1st April
10	Monitor Contractors Performance	Undertake monthly joint inspections	To monitor Sodexo 's performance against measurable targets	Dec-13	Dec-13	Joint	36 inspections took place of parks and open spaces and four Health and Safety audit inspections
		Weekly meetings to discuss performance and work programme	To monitor Sodexo 's performance against measurable targets	Dec-13	Dec-13	Joint	

		Monthly Minuted meetings	To monitor Sodexo 's performance against measuarable targets	Dec-13	Dec-13	Joint	
		Produce annual performance report for Scrutiny	To monitor Sodexo 's overall performance for 2013	Feb-14	Mar-14	Vale	
11	Review training needs	Review and identify any skills shortage	To improve efficiency and standards of work	Jan-13	Feb-13	Joint	
		Produce training matrix	To improve efficiency and standards of work	Feb-13	Feb-13	Sodexo	
		Instigate training for those staff identified	To improve efficiency and standards of work	Sep-13	Sep-13	Sodexo	Additional staff have been trained on Play area inspections and COTS training
12	Customer Satisfaction Survey	Carry out face to face customer satisfaction survey in parks and open spaces	To identify customer satisfaction ratings for Sodexo's overall performance	Sep-13	Oct-13	Sodexo	
13	Use technology to assist in data collection	Issue relevant staff with suitable equipment to record works completed electronically	To improve efficiencies	Jun-13		Sodexo	This commenced in Sept and is being used by some teams. It will be rolled out to more crews in 2014
14	Waste recycling	Investigate and implement options to improve litter recycling	To improve efficiency and reduce costs	Jul-13	Aug-13	Joint	Additional recycling bins put into parks and recycling bulk bins installed in Sodexo's depot
15	Locate new satellite depots	Investigate potential depot sites within the South and Vale areas	To improve efficiency and increase overall productivity. Reduce travel times	Sep-13		Joint	a satellite depot is being used near Wallingford. Discussions are ongoing with the potential to move into Abingdon
						<b>Progress Key</b>	
						Completed	
						On track	
						Delayed	
						Not started	

# Scrutiny Committee



Report of Head of Planning

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To: The Scrutiny Committee

DATE: 22 April 2014

## The Oxfordshire Strategic Housing Market Assessment

### RECOMMENDATION

To consider this report and make any recommendations to Cabinet

### PURPOSE OF REPORT

1. The purpose of this report is to provide an explanation to the Scrutiny Committee of how the Oxfordshire Strategic Housing Market Assessment (SHMA) numbers have been derived for South Oxfordshire District Council.

### STRATEGIC OBJECTIVES

2. The Oxfordshire SHMA will form part of the evidence which informs the housing targets identified in the South Oxfordshire Local Plan 2031. This will assist the council in achieving strategic objectives in relation to 'meeting housing need' and 'building the local economy'.

## BACKGROUND

3. The SHMA was commissioned by all the Oxfordshire authority areas working together under the Duty to Cooperate. A summary document has been published and the full SHMA report will follow shortly<sup>1</sup>. The SHMA sets out the objectively assessed housing need for each of the districts in the Oxfordshire Housing Market Area. For South Oxfordshire an objectively assessed housing need of between 725 and 825 new homes per annum has been identified by the consultants.

### Introduction and structure of the report

- 4 This report sets out how the SHMA arrives at the figure for objectively assessed housing need in South Oxfordshire which gives a total requirement of between 14,500 and 16,500 new homes for the period 2011-2031 (725 - 825 per annum). It includes a summary of how the employment and affordable housing need forecasts supporting the SHMA have been conducted and how they affect the housing numbers.
- 5 The report does not consider the wider SHMA findings on housing type, size and tenure in any detail, but includes a brief summary of market and affordable housing mix for information.
- 6 The structure of the report is as follows:
  - SHMA Policy Context
  - About the consultants
  - SHMA methodology
  - Review and adjustment of demographic projections
  - Considering employment growth and future labour force requirements
  - Considering affordable housing needs
  - Other SHMA findings

## SHMA POLICY CONTEXT

### The National Planning Policy Framework

- 7 The National Planning Policy Framework (NPPF) (March 2012) sets out that local planning authorities should use their evidence base to ensure that their Local Plan meets the full, objectively assessed needs for market and affordable housing in the housing market area<sup>2</sup>. They should prepare a Strategic Housing Market Assessment to assess their housing needs, working with neighbouring authorities where appropriate<sup>3</sup>.
- 8 The NPPF also establishes that local planning authorities should ensure that their assessment of and strategies for housing and employment are integrated and that they take full account of relevant market and economic signals<sup>4</sup>.

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<sup>1</sup> As soon as it becomes available, the 'Strategic Housing Market Assessment' will be published on the 'Spatial Planning & Infrastructure Partnership' website as follows;

<https://www.oxfordshire.gov.uk/cms/content/spatial-planning-and-infrastructure-partnership>

<sup>2</sup> National Planning Policy Framework, March 2012, para 47

<sup>3</sup> National Planning Policy Framework, March 2012, para 159

<sup>4</sup> National Planning Policy Framework, March 2012, para 158

## National Planning Practice Guidance

- 9 The SHMA methodology is consistent with the SHMA guidance in the National Planning Practice Guidance (NPPG), the guidance for Housing and Economic Development Needs Assessments was issued in March 2014. This replaced the 2007 'Strategic housing market assessments: practice guidance' in place when the SHMA work commenced.
- 10 The NPPG sets out that the assessment of need should be proportionate and should be based on future scenarios that could be reasonably expected to occur. The NPPG acknowledges that estimating future housing need is not an exact science.
- 11 The SHMA should not take account of supply factors such as development constraints, although these are appropriate considerations in the plan-making process in setting a housing target to be delivered.
- 12 The NPPG sets out that the starting point for the assessment should be the latest household projections published by the Department for Communities and Local Government (CLG)<sup>5</sup>.
- 13 In relation to employment trends, the guidance sets out that where the supply of working age population that is economically active is less than the projected job growth, this could result in unsustainable commuting patterns. Planning authorities will therefore need to consider the location of new housing and infrastructure development to help counteract such patterns.
- 14 Where there is a high level of need for affordable housing this may justify an increase in the level of overall housing provision to help meet identified affordable housing needs.

## THE SHMA CONSULTANT TEAM

- 15 The Oxfordshire planning authorities commissioned consultants to undertake the SHMA to ensure the appropriate technical capacity, experience and specialist expertise was deployed to the task. The work was supervised and scrutinised by a county-wide working group of experienced planning and housing officers, reporting to council leaders and directors through the Spatial Planning and Infrastructure Partnership, which served as the commissioning body.
- 16 GL Hearn with Justin Gardner Consulting (demographics) and SQW Consulting (economics) were awarded the contract. This consultant team has completed SHMAs for 40 local authority areas in the past three years and are market leaders. At local plan examinations their SHMA evidence to date has been found sound and has supported emerging plans (albeit some have failed for other reasons).
- 17 SQW also produced the 'Oxfordshire Innovation Engine' report (October 2013), an independent study of the Oxfordshire high tech cluster for the University of Oxford and Science Oxford with Oxfordshire Local Enterprise Partnership (LEP) support. This study analysed the characteristics of high tech Oxfordshire today, its future growth potential and the challenges involved in realising that potential.

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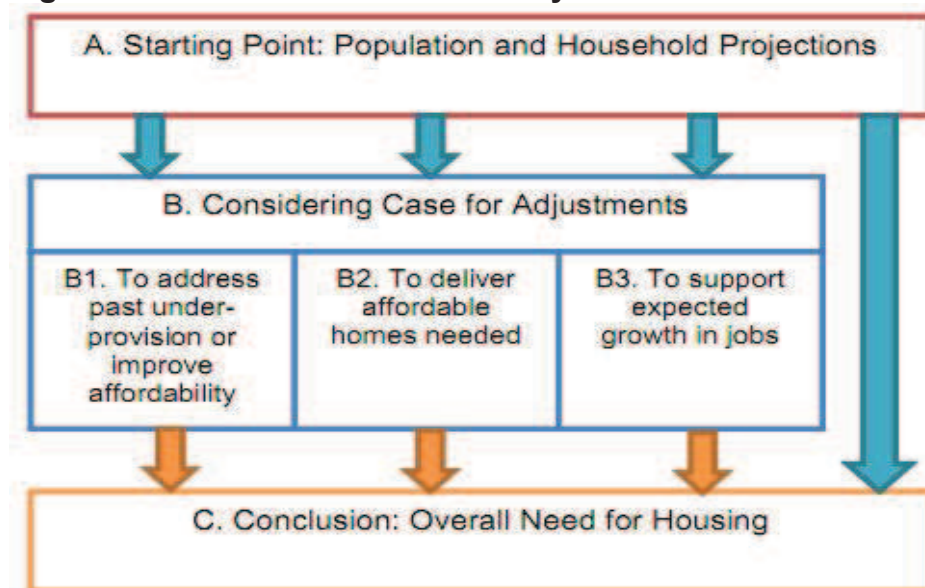
<sup>5</sup> National Planning Practice Guidance, March 2014, 'Housing and economic development needs assessments'

18 The original SHMA methodology proposed to rely on general economic modelling to assess economic and labour market factors. Supplementary modelling was commissioned from Cambridge Econometrics (CE) to improve robustness and to better align with work for the Oxfordshire LEP Strategic Economic Strategy, prompted by the Government’s Growth Deal announcement in July 2013.

## THE SHMA METHODOLOGY

19 The Oxfordshire SHMA looks at the period 2011 to 2031 and considers the number of homes needed, the mix of housing and housing needs of specific groups. It identifies an objectively assessed housing needs figure, which should be used to inform the housing policies of emerging Local Plans. Figure 1 provides a high-level overview of the main stages of the SHMA methodology.

**Figure 1: The SHMA model summary**



20 Focussing on the key scrutiny issue of overall housing need, the main steps are to:

- Review the housing market area boundary. This was agreed to broadly correspond to the county area, endorsing the previously identified boundary.
- Review national demographic projections, in particular the robustness of national trends such as migration in the study area.
- Adjust the national demographic baseline where appropriate to create a model tailored to the Oxfordshire housing market area.
- Consider affordable housing requirements.
- Incorporate this adjusted demographic projection into employment modelling using a baseline economic model tailored to the structure of the local economy to give projected trend growth for each district.

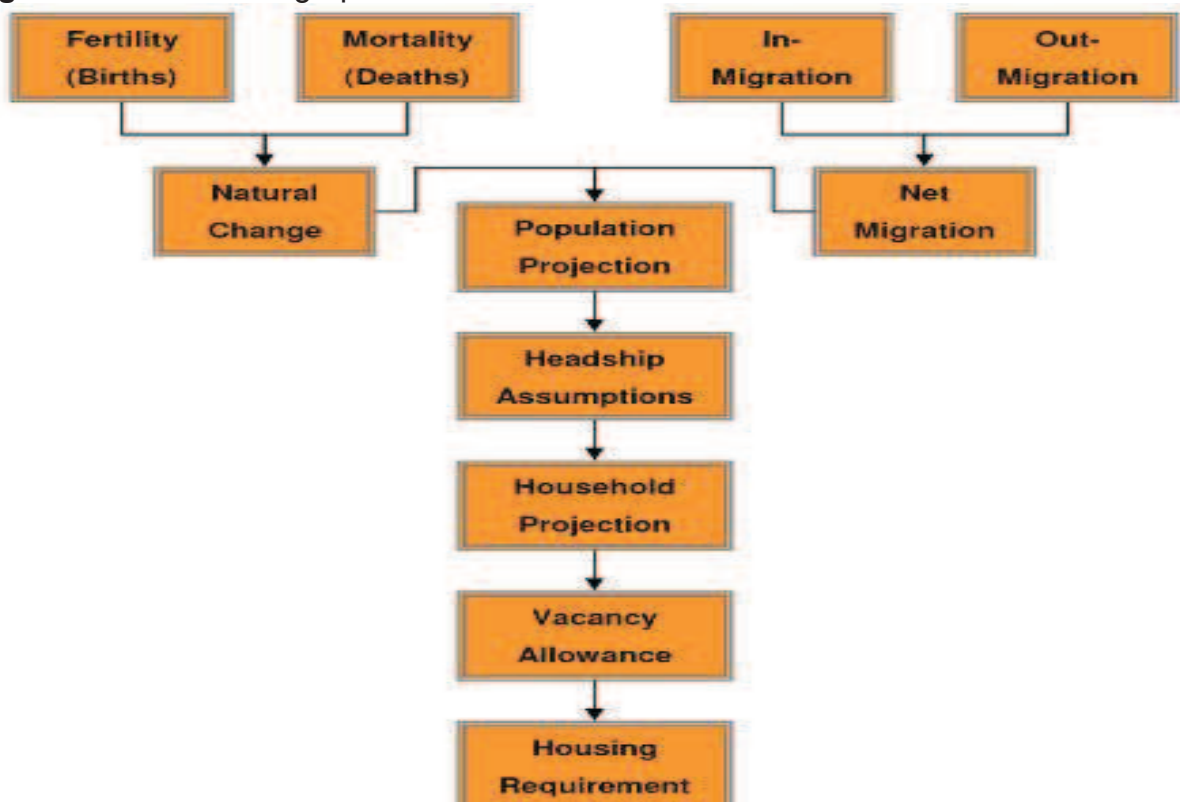
- Review these employment model projections and generate a locally specific employment forecast by incorporating adjustments to projected trend growth based on local circumstances and known economic commitments. This is important to ensure that employment forecasts are robust at examination to factors such as committed investment that the baseline economic model alone would not pick up.
- Incorporate this committed growth employment forecast into the SHMA demographic model to identify and reconcile any imbalance between availability of working age population and forecast employment growth (in essence more homes would be needed if a labour force shortfall is predicted arising from the projected size and age profile of the local population).

22 The key point to note is the inter-relationship of demographic and economic analysis, a particular strength of the Oxfordshire SHMA approach.

### Review and adjustment of demographic projections

23 Figure 2 shows in more detail the demographic elements of stage B1 in the figure 1 SHMA summary model.

Figure 2: SHMA demographic model



24 Four main adjustments were made to the latest CLG 2011 Interim household projections for the period 2011 to 2021:

- Extending the interim CLG household projection from 2021 to 2031
- A correction to demographic trend assumptions. The main correction was to redress substantial inaccuracies in migration assumptions for Oxford city, which projected 2.5% decline in Oxford households 2011-2021 (-17,230 population) despite a 14,700 population increase 2001-2011. Based on this population change 2001-2011 the consultants estimated trend based net in-migration to Oxford city of 600 people per annum (by deducting natural change), and projecting this trend forward over the SHMA period to 2031. The same process was applied to the rest of Oxfordshire with lesser corrections arising elsewhere (South Oxfordshire + 5,300 population over 20 years or an increase of 265 people per annum)
- A correction to the headship assumptions (the rate at which households form from the population). The 2011 headship rate was considered unrealistically low, depressed by factors including housing under-delivery relative to targets and recessionary effects including the difficulty in recent years for first time buyers in particular in obtaining mortgage finance. The headship rates from the 2008 household projections were used instead, as they reflect more ‘normal’ market conditions, to avoid projecting forward constrained past formation rates.
- Stage B1 also adds in 1,400 backlog (housing delivery shortfall from 2006-2011 against the South East Plan target), equivalent to 70 homes per annum 2011-2031.

25 Taken together the demographic corrections that make up the GL Hearn alternative household projection for South Oxfordshire are as follows:

<b>Increase in homes or households per annum</b>	<b>Source / basis</b>
360 households pa	Starting point from the 2011 Interim CLG household projection rolled forward to 2031
482 homes pa	Housing need based on CLG projections adjusted for migration and adjusted headship rates
+70 homes pa	Adjustment to make up 1400 home backlog from SE Plan target 2006-2011
<b>552 homes pa</b>	<b>GL Hearn alternative demographic baseline</b>

26 In converting households to dwelling requirements it was also estimated that around 4.5% of South Oxfordshire homes are vacant at any given point (census data), reflecting normal market turnover.

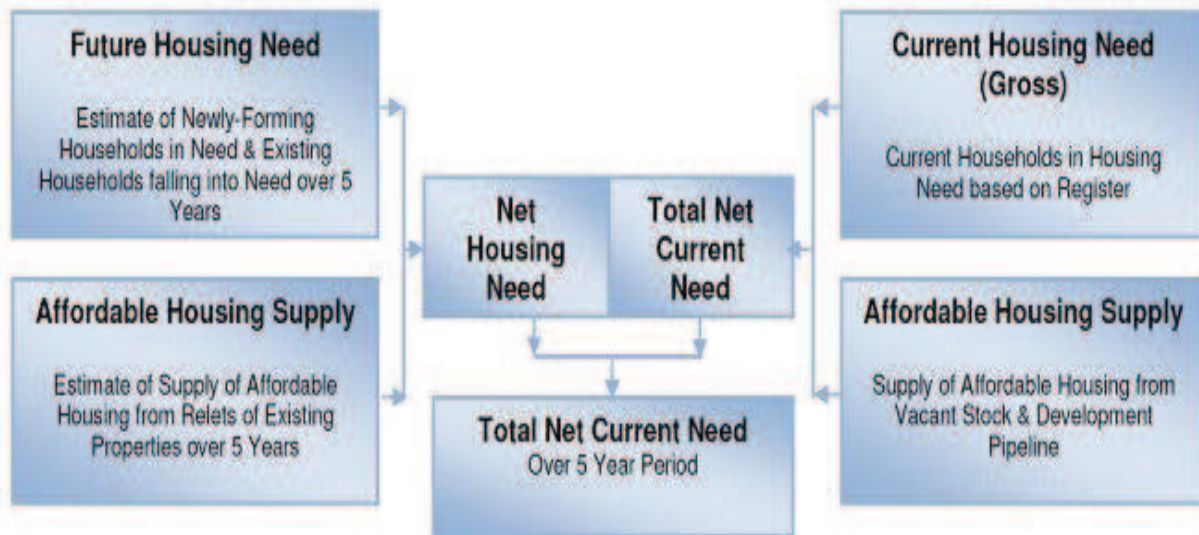
27 Note also that the projections exclude residents of institutions, including purpose built student accommodation that would otherwise distort the assessment of mainstream housing needs.



## Considering affordable housing needs

28 Figure 3 shows in more detail the considerations in stage B2 in figure 1 SHMA summary model above, delivery of the affordable homes needed.

**Figure 3:** Housing needs model



29 The SHMA uses a well established Government ‘Basic Needs Assessment Model’ for affordable housing, which is a point-in-time snapshot.

30 In accordance with Government advice on evidence base proportionality the model uses secondary data sources including census, demographic projections, house price, rents and incomes data, and a market survey of housing costs in June 2013. It also uses local authority data on the affordable housing stock and data on those housed in unsuitable accommodation (in particular overcrowded households).

31 A key assumption is that households that spend more than 35% of their gross income on housing costs cannot afford market housing - a 35% affordability ratio. This means that on average across Oxfordshire any household with a gross income below £31,710 falls into housing need and would leave households with a residual income of £20,610 after housing costs have been paid. It is recognised that some households may already own their home e.g. pensioners even though their future income is forecast to be below the threshold. The consultants estimate that 37% of households with an income below the threshold would have sufficient income/equity to afford market housing and the total number of households falling into need has been reduced by this figure. The net affordable housing requirement for South Oxfordshire 2013-2018 was 386 per annum. This was calculated in the following way:

### Estimated level of housing need per annum

Backlog of need	Newly forming households falling into need	Existing households falling into need	Total need	Projected supply from relets	Net need per annum
37	472	138	647	260	386

32 To fully meet affordable housing need assuming 40% affordable housing is secured in accordance with policy would require a target of 965 homes per annum. The consultants make a consideration about whether we will need to make an upward adjustment from the demographic trend projection and the economic growth projection to meet affordable needs. They acknowledge that the affordable need projection is likely to be an overestimate as the model used was not designed to forecast needs over a 20 year period. It does not make an allowance for the increasing number of relets likely to become available from increasing the supply of affordable units. In addition the affordable need calculated includes some households who are already housed, for example in private rented accommodation, and those that may be housed in this way in the future. The consultants have therefore concluded that the Objectively Assessed Need for South Oxfordshire should be in the range 725 to 825 homes per annum, this is to support an improvement in affordability over time and to support the economic growth needs set out below.

### **Considering employment growth and future labour force requirements**

- 33 Stage B3 in the figure 1 SHMA summary model considers how employment and economic growth factors will affect future housing requirements.
- 34 To inform the SHMA Cambridge Econometrics, proprietary demand-led Local Economy Forecasting Model was used (LEFM illustrated at Appendix A, further details at the link footnoted<sup>6</sup>). This was jointly developed by Cambridge Econometrics and the Institute for Employment. LEFM is a well established and accepted economic model that has been used in a wide variety of projects throughout the UK<sup>7</sup>.
- 35 The LEFM starts by projecting a continuation of past economic trends as the baseline projection. The Oxfordshire LEFM assumes that historical trends in relative growth in Oxfordshire compared with the wider South East (or UK) economy (on an industry-by-industry basis) seen over the past 15 years or so continue into the future. This projected Oxfordshire employment growth of 0.4-0.5% 2011-2031 (+36,400 jobs), considerably lower than the 0.8% achieved 2001-2011 a period including a severe economic downturn.
- 36 The LEFM base model was tailored to reflect the Oxfordshire specific circumstances. This included use of GL Hearn's alternative population-based projection to better reflect population change in the county. This projected employment growth of 0.6%, still well short of recent trends and was considered overly cautious in the context of the potential of the area as we emerge from the recent recession.

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<sup>6</sup><http://www.camecon.com/SubNational/SubNationalUK/ModellingCapability/LEFM/LEFMOverview.aspx>

<sup>7</sup>[http://www.camecon.com/SubNational/SubNationalUK/ModellingCapability/LEFM/examples\\_of\\_projects\\_using\\_lefm.aspx](http://www.camecon.com/SubNational/SubNationalUK/ModellingCapability/LEFM/examples_of_projects_using_lefm.aspx)

- 37 The consultants (SQW) then considered whether the LEFM model alternative baseline growth projections adequately captured likely employment growth. A number of adjustments were made based on qualitative information and professional judgement to produce a planned/committed economic growth forecast. This forecast allows for credible expectations for 'above trend' employment growth arising from policy and funding commitments not captured by the LEFM model, including the Science Vale enterprise zone, Bicester eco-town, City Deal and committed infrastructure investment. This work was informed by consultation for SQW's Oxfordshire Innovation Engine report with a large number of economic and other stakeholders, together with local authority information on development and infrastructure funding commitments.
- 38 A county total of 88,000 jobs are forecast with the committed economic growth scenario over the period 2011-2031. This represents employment growth of 1% pa with annual growth rates varying between 0.6% in Oxford and 1.5% in VOWH. This compares with an average annual growth rate of 1.7% across Oxfordshire and 2.1% in Vale 1981-2000. The CE and SQW report considers that this would be 'an achievement, especially in the current economic environment, but is by no means unprecedented'<sup>8</sup>.
- 39 For South Oxfordshire 11,400 additional jobs are forecast between 2011 and 2031 of which 9,100 reflect trend based economic growth using the alternative population projection, and 600 arise from 'above trend' adjustments and 1,700 from indirect jobs arising from the above trend population increase in Oxfordshire. A summary of above trend business class jobs growth in Oxfordshire to 2031 are set out in Appendix B. The balance is made up of 6000 jobs in all other uses/sectors (not previously quantified).
- 41 In order to test the robustness of these findings, CE and SQW conducted a risk assessment including housing and infrastructure provision, and contacting a large number of organisations throughout Oxfordshire to 'sense-check' the modelling outcomes (listed at Appendix C). They concluded that
- "We would therefore not recommend that the Planned Economic Growth forecasts are reduced to account for the risks discussed in this Chapter, because they do not appear to us to be particularly likely to reduce employment growth below that forecast."<sup>9</sup>

### Balancing jobs and homes

- 42 Having established a robust view on future employment requirements, the next step is to consider what level of housing would be needed to support committed economic growth. This exercise relates back to the NPPF requirement to align planning for jobs and housing (para 158) by considering job growth against the projected future labour force.
- 43 The SHMA assumes current productivity levels will hold constant and that slightly older people will remain in work reflecting pensionable age changes and evident trends over the last decade. It also assumes that current commuting patterns will remain. At present there are 120 residents in employment for every 100 jobs in the district, thus modest net out-commuting (NB 2001 census data is the best currently available).

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<sup>8</sup> 'Economic Forecasting to Inform the Oxfordshire Strategic Economic Plan and Strategic Housing Market Assessment' (28 February 2014) section 5.2

<sup>9</sup> 'Economic Forecasting to Inform the Oxfordshire Strategic Economic Plan and Strategic Housing Market Assessment' p42.

- 44 By considering the age profile and labour market participation rates of households, the additional homes required to fully support economic growth can be estimated.
- 45 The starting point is the trend economic forecast based on the alternative population, the figure before above trend jobs are added. Trend jobs growth of 9,100 generates a housing requirement of 655 homes per annum or 13,100 total 2011-2031.
- 46 The above trend jobs growth of 2,300 jobs generates a requirement for 94 additional homes.

## OTHER SHMA FINDINGS

### Housing market signals

- 47 2012 Q3 median house prices in the Oxfordshire HMA were found to be 32% above national average and South Oxfordshire prices were 8.7% above the Oxfordshire average, indicating strong relative housing demand (Q3 2012 data, HM Land Registry and CLG). Rents follow a similar trend, for example 'rooms' (the cheapest market entry point) in South Oxfordshire were £400 per month compared to the South East average of £370 (Valuation Office data). The ratio of entry level house prices to incomes stands at 10.75 compared to the England average of 8.59.
- 48 The key constraint on the market is the ability of people to raise deposits for house purchases. House prices in South Oxfordshire increased by 5.1% to £286,975 during the period 2008-2012. This compared with an increase of 3% in Oxfordshire to £250,000 during the same period.
- 49 The latest land price data available (2010 Valuation Office and HCA) shows Oxfordshire has the highest housing land values in the South East region (outside London).
- 50 It was also clear from the stakeholder consultation process<sup>10</sup> that the Oxfordshire Housing Market Area (HMA) has been resilient to economic factors, and was picking up during 2013. Strongest market recovery and demand pressures were noted in Oxford followed by the VOWH and South Oxfordshire.
- 51 Taken together these market signals provide further strong evidence of a need to deliver more homes.

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<sup>10</sup> Stakeholder consultation took place in November 2013

## **The current housing offer and future requirements**

- 52 The local market is weighted towards larger and owner-occupied homes. The total housing stock in South Oxfordshire stood at 56,370 (2011 census). There is an above average proportion of owner occupation in South Oxfordshire at 73.8% in 2001 and 72.9% in 2011. The proportion of detached houses is particularly high in South Oxfordshire at 35.8% compared with 9% in Oxford city.
- 53 The SHMA estimates future requirement for market housing to broadly follow current size mix, with 75.8% of new homes to be 3+ bedrooms.
- 54 For affordable housing there is a significant requirement for smaller homes, 68.1% 1-2 bedrooms.

## **Financial Implications**

- 55 None.

## **Legal Implications**

- 56 We operate in a plan-led system and it is a statutory requirement to produce a local plan, which is supported by up to date evidence, including a 'Strategic Housing Market Assessment'.

## **Risks**

- 57 The 'Strategic Housing Market Assessment' has been prepared, by consultants, on behalf of all the Oxfordshire authorities and provides an up to date evidence base for the updating of each of the districts Local Plans. We will need to prepare a new local plan to replace our core strategy and make provision for these new housing requirements. It is not clear from the guidance or through appeal decisions how generous the government will be in allowing time for the local plan preparation and we should progress this work with reasonable haste in order to prevent uncertainty about our five year land position and the potential for sustainable development proposals being agreed outside the plan-led system.

## **Other Implications**

- 58 Lack of policy certainty could be a disincentive to private sector and public investment in much needed development and infrastructure.

## **Conclusion**

- 59 The Oxfordshire SHMA and its conclusions for South Oxfordshire are comprehensive, robust and fully compliant with national policy and guidance. Both the SHMA and supporting forecasting have been fully scrutinised by South Oxfordshire and other Oxfordshire officers, and sense checked by well qualified and experienced consultants who are leaders in their respective fields.
- 60 The upward adjustments for above trend employment growth reflect committed policy and investment programmes and the further upward adjustment of the higher end of the range for affordable housing needs reflects the high house prices in the district and the high level of need for affordable homes.

## USEFUL REFERENCES

'Oxfordshire Strategic Housing Market Assessment – Summary of key findings' (March 2014)

<https://www.oxfordshire.gov.uk/cms/content/spatial-planning-and-infrastructure-partnership>

'Economic forecasting to inform the Oxfordshire Strategic Economic Plan and Strategic Housing Market Assessment' (28 February 2014)

<http://www.whitehorsedc.gov.uk/sites/default/files/Oxfordshire%20Economic%20Forecasting%20Final%20Report%202014.pdf>

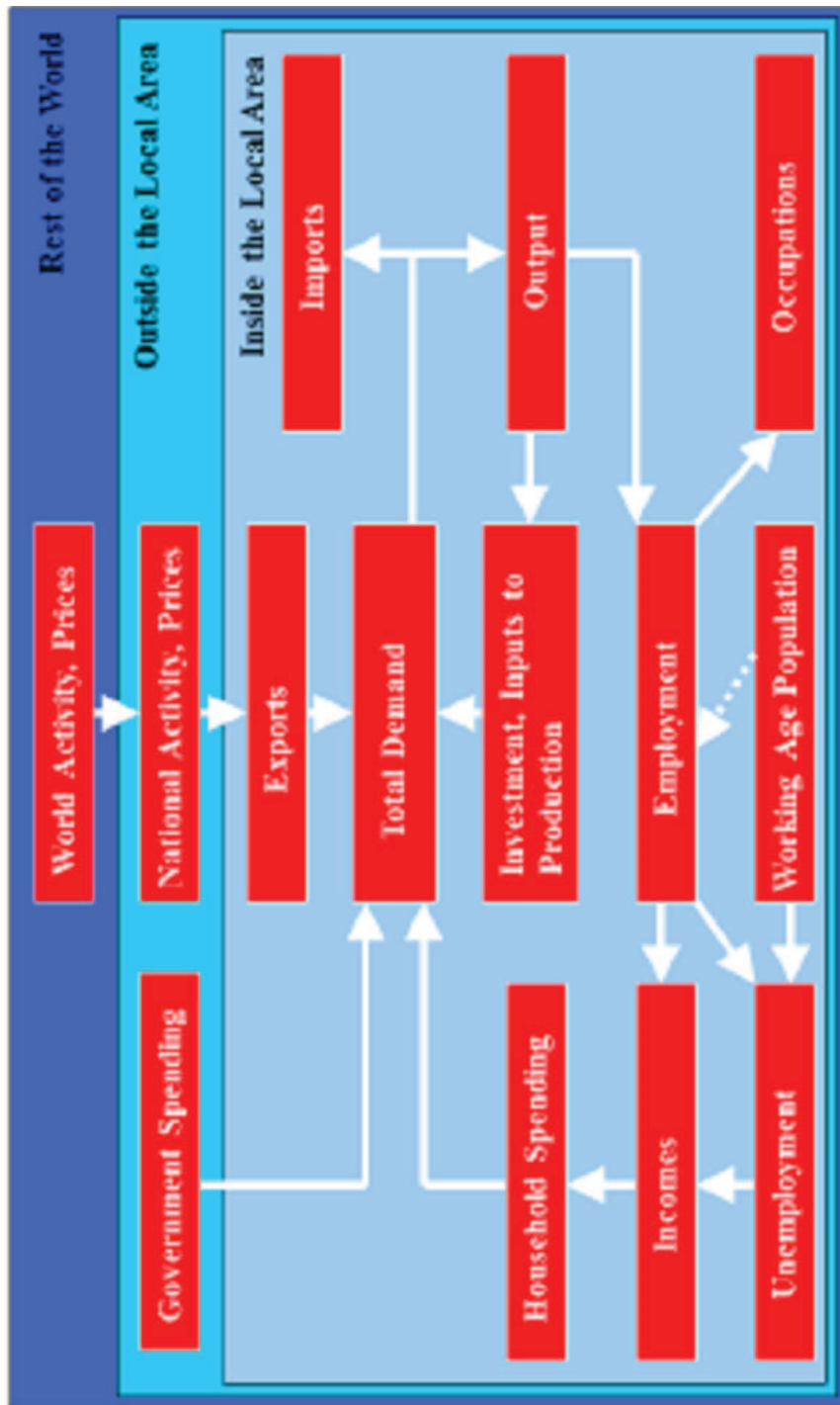
National Planning Policy Framework, Department for Communities and Local Government (March 2012)

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/6077/2116950.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/6077/2116950.pdf)

National Planning Practice Guidance, Department for Communities and Local Government (updated March 2012)

<http://planningguidance.planningportal.gov.uk/>

**APPENDIX A – THE STRUCTURE OF THE LOCAL ECONOMY FORECASTING MODEL (LEFM)**



**APPENDIX B – SUMMARY OF ABOVE TREND BUSINESS CLASS JOBS GROWTH IN OXFORDSHIRE TO 2031**

Type of jobs	Total	2011-21	2021-31	Cherwell	Oxford	South Oxfordshire	Vale of White Horse	West Oxfordshire	Sector
University	2,000	1,000	1,000		2,000				Education
Culham research	500	250	250			500			R&D, IT services, electronics, pharmaceuticals
Enterprise Zone	5,400	5,400					5,400		R&D, IT services, electronics, pharmaceuticals
Satellite technology	4,000	2,000	2,000	1,500			2,500		R&D, IT services, other transport services
Bioscience	2,500	1,250	1,250	1,000	1,500				R&D, pharmaceuticals
Healthcare	2,500	1,250	1,250		2,500				Healthcare, R&D
Advanced engineering	3,000	1,500	1,500	1,000	1,000		500		Motor vehicles, electronics, electrical equipment, architectural & engineering services
Construction	150	150		150					Construction
Environment technologies	1,000	500	500	600	100	100	100	100	Other professional services
Retail	2,200	2,100	100	1,000	1,000		200		Retail
Distribution	2,500	1,500	1,000	1,000			1,500		Warehousing & postal
Oxford airport and technology park	2,000	1,000	1,000	2,000					Air transport, R&D, electronics, retail, food & beverage services, architectural & engineering services
<b>Total</b>	<b>27,750</b>	<b>17,900</b>	<b>9,850</b>	<b>8,250</b>	<b>8,100</b>	<b>600</b>	<b>10,200</b>	<b>600</b>	

Source: SQW



**APPENDIX C – LIST OF ORGANISATIONS CONTACTED, INFORMING THE CE REPORT**

- Advent Life Sciences
- Allen Associates
- Barclays Bank plc
- Begbroke Science Park
- Bloombridge Development Partners
- Caterham F1
- Cherwell District Council
- Circassia Holdings Ltd
- Dehns
- Diamond Light Source Ltd
- Drayson Racing Technologies
- Evotec
- Federation of Small Businesses, Oxfordshire
- Grant Thornton UK LLP
- Goodman
- HSBC Bank plc
- Immunocore Ltd
- Inhibox Ltd
- Invest in Oxford
- Isis Innovation
- James Cowper
- Lotus F1
- Mahler Ventures
- Manches
- Marks & Clerk
- Medinnovate Ltd
- MEPC Milton Park
- MRC Harwell
- NERC Centre for Ecology & Hydrology, Wallingford
- Nexeon Ltd
- NHS Innovations South East
- Nielsen Group
- Numerical Algorithms Group
- OBN
- Oxford Airport
- Oxford & Cherwell Valley College
- Oxford BioMedica plc
- Oxford Brookes University
- Oxford Capital
- Oxford City Council
- Oxford Gene Technology Ltd
- Oxford Innovation & SQW Group
- Oxford Instruments plc
- Oxford Investment Opportunity Network
- Oxford Nanopore Technologies Ltd
- Oxford Science Park
- Oxford Technology Management
- Oxford University Hospitals NHS Trust
- Oxford University Press
- Oxfordshire Chamber of Commerce
- Oxfordshire County Council
- Oxfordshire Local Enterprise Partnership
- Oxfordshire Skills Board
- Prodrive
- Rockley Group
- RM plc
- Said Business School, University of Oxford
- Science & Technology Facilities Council
- Science Oxford
- Siemens Magnet Technology
- Sophos
- South Northamptonshire Council
- South Oxfordshire District Council
- SV Life Sciences
- Technology Strategy Board
- The Oxford Science Park
- The Royal Society Enterprise Fund
- Tokamak Solutions (UK) Ltd
- UK Atomic Energy Authority & Culham Centre for Fusion Energy
- Unipart Group
- University of Oxford
- Vale of White Horse District Council
- Venturefest Oxford Ltd
- VSL & Partners
- West Oxfordshire District Council
- Wiley-Blackwell Publishing
- Williams F1
- Yasa Motor

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