

Supporting members



Defending services

## Branch guide to KPIs



# Introduction

A large number of local authorities have privatised services and are now managing long-running contracts with private sector providers. These contracts, often for millions of pounds, should be effectively monitored and scrutinised to ensure public money is being spent wisely and that local people are receiving quality services. Key performance indicators, or KPIs, are the most common means for local authorities to monitor and measure service delivery outcomes.

Too often KPIs are drawn up in such a way that enables a poorly performing company to 'look good on paper'. This short guide explains how KPIs work and gives branches advice on some of the common pitfalls to watch out for.

This guide is designed for use by branches engaged in the procurement process or which already have privatised services and can be read alongside other key pieces of UNISON guidance, namely the procurement guidance and guide to council decision

making. KPIs are a common measure of performance and therefore this guide is applicable for branches across the UK.

This guide covers:

1. An introduction to KPIs
2. Case study examples
3. Key questions for branches to ask

# 1. Introduction to KPIs

KPIs are a set of performance measures which enable a local authority to monitor whether a contract is being delivered effectively and to its satisfaction. They are an essential part of contract management and will usually be drawn up by councils with the contractor at the 'invitation to tender' stage and concluded once the contract has been awarded<sup>1</sup>.

It can be easy to overlook this crucial stage of the procurement. However, well thought through KPIs are vital to enable councils to ensure they are getting value for money from the contract.

Branches can also use KPIs as a useful way of monitoring contracts and if necessary lobbying for the service to be brought back in-house if performance falls below agreed standards. It's important to remember that many contracts are set up in such a way that companies receive additional payments for 'good' performance as measured by KPIs. If the indicators are measuring superficial targets or are able to be manipulated, there is a very real risk that companies are being paid huge sums of public money despite providing poor services.

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<sup>1</sup> For more information on the procurement process, please see the guidance on the UNISON website: <http://www.unison.org.uk/bargaining/index.asp>

## 2. Measuring success? – Case study examples

There are numerous examples where KPI results and the 'official' performance of a private company are classed as good, but this does not reflect the anecdotal evidence from local people and staff delivering services. This is a particular concern when many companies will cite their good performance elsewhere when tendering for new contracts.

This was the case in Birmingham, where the branch has been dealing with the council's massive contract with Capita to run Service Birmingham (SB). The incoming Labour administration commissioned a high level review of the contract in May, the findings of which were published in late 2012<sup>2</sup>.

The review dealt with wide-ranging issues relating to the operation of the contract, including some examination of the performance measures for ICT services in the contract. One major finding was that because of the misalignment of service level agreements, SB is effectively able to 'stop the clock' when there is a problem with a piece of software. This means that they are able to remain within their response/fix times for KPIs, even when they are not meeting them.

Furthermore, the report found that SB had 'misreported at least one of the KPIs around call handling in the contact centre'. This could have two significant impacts – first, it may mean that there are additional unforeseen costs incurred as the call volumes are adjusted to accommodate the data. Secondly, it may have meant that 'erroneous data' was being used at the time the council was re-negotiating the contract.

Depending upon the size of the error in the data, the report suggests that with this knowledge 'the Council may have acted differently in the negotiations and secured a different outcome'.

When thinking about KPIs, it's important to keep in mind what 'success' is in this context and how it's defined. Sometimes indicators are set up in a way that allows for progress towards strategic objectives to be measured. However, most often the focus of KPIs is on operational targets that are seen as easily quantifiable, such as the percentage of customers satisfied with the service. But who defines what 'satisfied' means and who collects the data?

Branches need to have the confidence to challenge KPIs where they feel they are not accurately reflecting the service being delivered. The following case study examples show where KPIs have been found severely wanting, despite official reporting to the contrary.

### Case study: Southwark Council

Southwark Council's repairs and maintenance service provides day to day repairs to the authority's stock of 55,000 properties. Following a change of administration in 2010, the Council's Housing & Community Safety Scrutiny Committee decided to investigate the housing repairs service, which was run by two organisations: Southwark Building Services (SBS) (north of the borough) and Morrison Facilities Services (south of the borough). Morrisons is a private sector organisation. SBS is an in-house organisation which was operated on an 'arms length' management model. This model ran on a seven-year contract, signed

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<sup>2</sup> Independent review of Service Birmingham  
<http://birminghamnewsroom.com/2012/12/independent-review-of-service-birmingham/>

in June 2009. The Scrutiny Committee wanted to understand how the Council had been measuring its performance, as anecdotal evidence suggested that problems with the service were not being picked up by its performance data.

The KPIs consistently showed a very strong performance for housing repairs with very high levels of satisfaction and almost perfect performance in appointment keeping by repairs staff. Prior to the signing of the new contract, the repairs service was named as winner of the *Inside Housing UK* Housing Awards in 2008, in the category 'delivering customer-driven services'<sup>3</sup>. The award was won as a result of figures provided by a new KPI collection system. It is this system which was subsequently used to monitor performance of Morrison and SBS.

Despite the outwardly good reports, councillors expressed concerns at the high number of complaints from residents about the service – which contradicted KPI data showing satisfaction levels of 94%. In response, council officers said this was due to the size and scope of the repairs service, and that in their view the number of complaints was low. Senior officers stated that they did not think the KPI system needed further scrutiny.

As part of the scrutiny inquiry, members of the committee listened to fifty randomly selected recordings of telephone calls from residents to the repairs hotline. They found that 42% of these related to problems with previously reported repairs. This was at odds with the official KPI data showing that over 90% of people were satisfied with their last

repair and 79% of repairs were completed in one visit. A further 32% of the calls concerned missed appointments, again undermining the KPI reporting which said 99% of appointments were kept.

To add to this, the calls showed that operatives would usually give a new reference number, even if the call was about an existing, uncompleted job. This meant the KPI would often count multiple repairs, even if only one had actually been carried out, and many would be recorded as completed within the target timescales, even if they took longer in reality. Under the contract, this also meant the council was often paying for multiple repairs when it should only have paid for one.

It was clear from listening to the satisfaction survey that tenants did not understand that when they gave a rating of '3' out of '5', they were stating they were satisfied with the service. The rating system was rarely explained to tenants before they gave their answer. In three examples, tenants who angrily criticised the quality of the service they had received went on to give a rating of 3 or above – which would show up as 'satisfied' in the KPIs. The results were further skewed in favour of a higher satisfaction rate by the practice of only calling people with recently completed repairs, which meant that those whose repairs had been outstanding for weeks and sometimes months were not being asked for their opinion of the service.

Until the scrutiny process began, Southwark was effectively operating a 'don't ask, don't tell' policy with regard to the accuracy of KPIs. This had a hugely detrimental effect on the quality of the service being provided to

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<sup>3</sup> <http://www.insidehousing.co.uk/ihstory.aspx?storycode=6501980>

tenants. Contractor performance was allowed to drift to the point where missed appointments were commonplace and repairs were left cancelled or incomplete. The final scrutiny committee report observed “so extensive and apparent is the evidence that Southwark’s KPIs are unreliable and inaccurate, it is very surprising that the system has been allowed to continue in its current form for so long”<sup>4</sup>.

The Scrutiny Committee made a number of recommendations which it felt would improve the accuracy of the KPIs and encourage a more challenging performance management regime. It applied the polling industry standard for carrying out satisfaction surveys. The new satisfaction survey gives only four options – ‘Very Good’, ‘Good’, ‘Poor’, and ‘Very Poor’. Only those who say the service was ‘Good’ or ‘Very Good’ are treated as satisfied for the purposes of this KPI.

It also became clear during the review that Southwark was failing to implement any of the financial incentives contained within their housing repairs contracts, and as a result the contractors had no incentive to improve their performance. The Council asked that a new and realistic performance management regime be introduced which incentivised the contractors to meet minimum levels of performance.

The case of Southwark housing repairs shows that if KPIs are poorly designed, and recording and reporting systems untrustworthy, there is likely to be a gap

between official and anecdotal evidence on the performance of the service.

Since the publication of the report, Southwark’s Cabinet has implemented all of its recommendations. The contract with Morrisons has been cancelled and SBS is now directly managed instead of being at ‘arms length’.

## Case study: North Somerset

In October 2010 North Somerset Council embarked on a controversial £100m contract with private contractor Agilisys to run the council’s support services. At the time councillors claimed Agilisys would provide a better, more reliable service and improve customer satisfaction, all at lower cost. UNISON opposed the privatisation of support services and seriously questioned the Council’s claims.

A year into the contract UNISON surveyed a cross section of members employed by Agilisys and the council to obtain their views on how the contract was working from first-hand experience<sup>5</sup>. Not a single member employed by the council who was surveyed thought the contract had fulfilled the promise of ‘quicker, better or cheaper’ services. Of Agilisys and Liberata staff surveyed, almost half (46%) disagreed or strongly disagreed with the statement that services had improved since being outsourced, with only 21% saying they had got better.

On the basis of the survey findings, the branch pressed the council to commission

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<sup>4</sup> Review of key performance indicators in the housing repairs service (Southwark Council, Feb 2011) <http://modern.gov.southwark.gov.uk/documents/s17684/Appendix%20Review%20of%20Key%20Performance%20Indicators%20in%20the%20Housing%20Repairs%20Service.pdf>

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<sup>5</sup> A detailed report of the branch’s survey findings was published on their blog at: <http://northsomersetunison.blogspot.co.uk/2012/01/unison-members-support-services-survey.html>

an independent review of the performance of the contract during its first year. In December 2011, the Council finally agreed to commission a review and engaged management consultants KPMG to carry it out. The KPMG report was presented to Council officers in April 2012, but not made public for a further eight months, after a Freedom of Information request to the council from the UNISON branch.

The summary KPMG report was described by the branch as 'illuminating and in our view damning'. The report examined a number of issues, including the performance of the contract. It said that although performance reports indicated that the contract was performing at the level contractually agreed, this positive picture did not correspond with staff feedback about poor quality services in some areas. This suggested that poor performance was not being picked up as a result of inadequate contract management and as a result of using the wrong KPIs.

The report detailed that over a year into the contract, 16 of its 38 agreed KPIs were still not being reported on. The branch had raised concerns with the council back in 2010, suggesting that it was proposing to put insufficient resources into managing and monitoring the contract, but their warnings were ignored. The report raises very serious questions about the credibility of the contract and the promises made.

Although the Council has adopted a number of recommendations designed to improve the performance of the contract, the branch is worried that some targets may be reduced in order to make it easier for Agilisys to achieve them. They are also concerned that additional payments made to Agilisys under

the contract may not have been correctly calculated, something implicitly acknowledged by the KPMG report. The branch plan to continue to pursue the issues surrounding the contract, central to which are the performance measures put in place through the KPIs.

### 3. Questions for branches to ask

UNISON believes that only public services provided in-house by trained and supported staff can ensure that public money is used to provide quality services to individuals and communities. When services go out to the private sector it is our responsibility to both follow and support our members, as well as monitor the performance of the contract.

Picking up early on issues with the contract means more opportunity for branches to support members and make the case to the council for services to be brought back in-house. KPIs provide one useful means for holding the council and contractors to account, so branches should:

- Get in there early – when the invitation to tender is being drawn up branches should be playing a key role in influencing the content of KPIs and making sure they won't measure the wrong things (see case studies)
- Ensure you use the expertise of UNISON members working in the service to do this as they will have a greater understanding of how the service operates, what 'good' looks like and how this can be measured
- Make sure you ask who will collate the monitoring information and what process will be put in place to ensure that the KPIs are accurately reported – will the contractor agree to regular audits, either independently or through the internal audit team, to verify their reporting?
- Ask the council to agree to regularly report on the KPIs to your joint consultative committee (or equivalent), including an update on what steps are being taken if performance falls below expected standards.

Even if you are unable to influence the development of the KPIs you can still request the final version, monitor them and ask for regular reports.

- If you suspect that the reported performance does not fit with anecdotal reports about the service, either from staff or service users, ask that the council investigate
- This can be done through bodies such as scrutiny committees – elected members are likely to be interested if there is a suspicion that a contract is delivering poor services for residents and is not value for money for the council (see Guide to council decision-making)
- Consider conducting a survey of members to get a view from the frontline about the performance of the service. This will be useful information to present to counter the councils own views about how well the contract is being delivered
- Don't take KPI reporting at face value – as the Southwark case study shows, services that seem 'too good to be true' on paper may well be just that!

# Further sources of information

## **Association for Public Service Excellence**

<http://www.apse.org.uk/index.html>

The APSE website has information on a range of performance issues, including KPIs, benchmarking, specific advice on key services and their performance networks.

## **Insourcing update: The value of returning local authority services in-house in an era of budget constraints**

<http://www.unison.org.uk/acrobat/20122.pdf>

This report, commissioned by UNISON from APSE contains a number of case studies, some of which make reference to performance monitoring of contracts and its shortfalls.

## **Centre for Public Scrutiny website**

<http://www.cfps.org.uk/>





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