

From: **Eric Hotson, Cabinet Member for Corporate and Democratic Services**
Rebecca Spore, Director of Infrastructure

To: **Policy and Resources Cabinet Committee – 8 March 2019**

Subject: **Property Services Commissioning**

Classification: **Unrestricted**

Past Pathway of Paper: None

Future Pathway of Paper: N/A

Electoral Division: All

Summary: This paper updates members on the future commissioning plan for the delivery of property services.

Recommendations: **The Policy and Resources Cabinet Committee** is asked to note the future commissioning model.

1. Background

1.1 In 2011 the Council implemented the corporate landlord model and centralised all of its assets into the corporate property function. The annual revenue operating budget for property related services in 2018-19 was £34.3m Gross with £11.6m income and a net budget of £22.7m. Since 2011 the property services budget has been reduced by c.35% in line with the Medium-Term Financial Plan. The function is accountable for the delivery of the following services:

- the management and oversight of 533 **capital and minor works projects** with a contract value of £28 million for the modernisation of assets programme over the next 3 years and £524.7 million of major capital projects over a 9-year period (from feasibility to defect period);
- the delivery of **strategic asset and estate management** services for the management of KCC property portfolio of 1842 assets with an estimated value of £1.87 billion;
- the delivery of **facilities management services** at 350 corporate landlord and 370 school sites
- the delivery of a **disposal pipeline** of 50 plus assets with a value of £117 million;

- the delivery of **property transformation programmes** across the property portfolio including service transformation, the delivery of the property asset management strategy, new ways of working, development/investment vehicles and asset utilisation.

The Council's Asset Management Plan sets out the key service objectives in the management of the estate and sits alongside a number of other key KCC plans and strategies. All property services are currently commissioned through third parties with a small retained client function. Of the current revenue budget, £33.4m is spent through third party suppliers with the largest spend on facilities management services through the Total Facilities Management Contracts.

Whilst the service continues to utilise a wide supplier base, key suppliers are outlined below:

- GEN2 (property managing agent services)
- Total Facilities Management Suppliers (Kier, Skanska and AMEY)
- Principal Contractors Framework (a KCC framework with a number of suppliers to deliver works contracts. The Framework has two lots, Lot 1 with 11 contractors for capital works up to £1 million and Lot 2 with 10 contractors for capital works between £1 million - £8 million. The contractors are selected for projects through a mini-competition process).
- Professional Construction Consultancy Framework (a KCC framework number of supplier to support the delivery of the construction and provide professional consultancy services with a number of lots including architectural, quantity surveying, project management. The Consultants are selected for projects through a mini-competition process).

A number of the above contracts are approaching contract break and review points in 2020/21 and consideration has been given to future commissioning requirements for KCC with support from the KCC strategic commissioner.

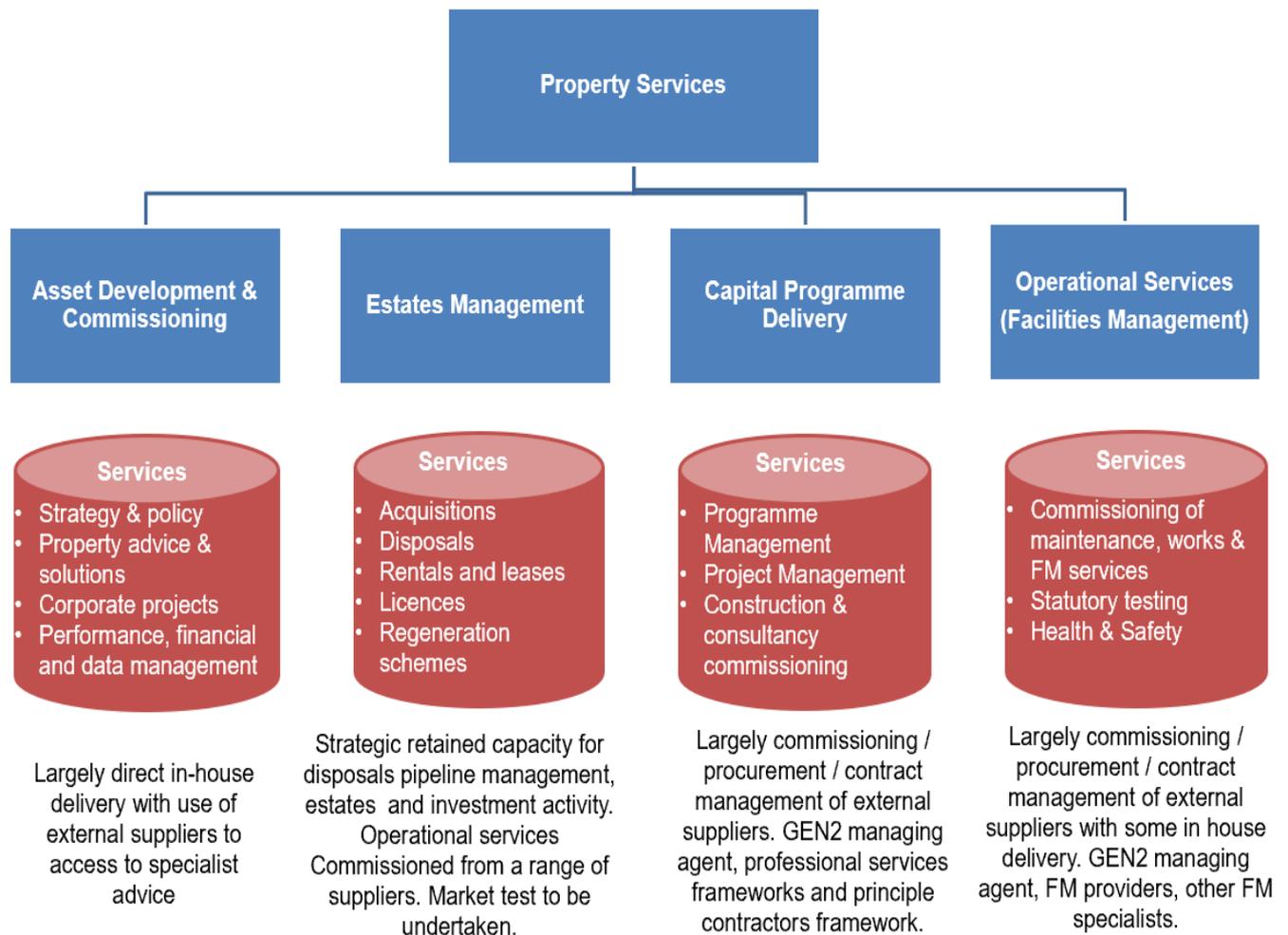
The review found:

- KCC requirements and operating environment have evolved since the establishment of the current commissioning model in 2014.
- Increased collaborative working between public sector organisations in respect of asset management/ property strategies requires greater strategic capacity in the retained client e.g. One Public Estate and the Kent and Medway Health Sustainability Transformation Plan.
- Evolving and changing KCC service needs against the backdrop of new service strategies and models requires a different commissioning approach.
- Key service risks have materialised with a greater focus on compliance since Grenfell.
- New operating models are available in the market place which offer opportunities for service innovation.
- Significant changes and developments in the market place (the outsourcing market in general)
- A need to access a greater level of commercial support in relation to property activities
- The completion of the final stages of the Corporate Landlord Model is required to ensure that all assets are held centrally.
- Further investment and development is required in systems with KCC retaining ownership of key asset management systems.
- Requirement to strengthen the Commissioning Team capability to provide adequate assurance, oversight and the delivery of strategic asset management / property transformation services.

2. Updated Commissioning Model for property services

2.1 The future commissioning model is currently being developed and seeks to address the findings above to ensure that the current and future needs of KCC property requirements are met, delivering value for money, and enablement for KCC to access the latest innovation and best practice in the delivery of property services. The resulting structural model is designed to ensure the appropriate capability and capacity of commissioning staff to provide the necessary assurance and oversight of the services commissioned via external companies.

2.2 The diagram below illustrates the principles for the commissioning of KCC's property infrastructure service.



2.3 Strategic Asset Management/ Commissioning – these will be provided through a strengthened core team utilising and building on the current property IT systems to build robust business data to support strategic property planning and robust decision making, including portfolio asset management strategies and the management of the disposal strategies. To support the core team the function will put in place arrangements to access specialist advice as required to support the development and delivery of asset strategies.

2.4 Facilities Management Services - Facilities Management Strategy, service assurance and the management of the PFI contracts will be directed by a strengthened KCC property services commissioning function. GEN2 will

provide management agent services based on the current Total Facilities Management Services. The Total Facilities Management Providers will provide the day to day operational services until the current contract expiry. The future FM delivery model is currently being scoped as to the options following the expiry of the current contracts.

2.5 Capital Programme – KCC will provide the capital programme oversight, pipeline management, assurance and strategy development. GEN2 will provide managing agent services to KCC for the delivery of the Capital Projects utilising KCC professional services and construction frameworks. The current frameworks are due to come to an end in 2021 and scoping work is due to start to develop the future delivery options which meet KCC's requirements.

2.4 Estate Management Services (landlord and tenant) will be directed by KCC whilst a market engagement and scoping exercise is commenced to determine whether outsourcing is appropriate. The market test is expected to take 9 months and will commence in the Spring 2019.

3. EQUIA

3.1 An EQUIA has been undertaken which has shown the impact of implementing the new model of commissioning to be low. This will be reviewed throughout the implementation phases.

4. Conclusion and Next Steps

4.1 The Council's requirements have changed since the implementation of the current operating model. With a number of key contracts approaching end dates the commissioning principles have been considered as to the requirements of the retained KCC functions and those areas that will continue to be delivered by third parties. The proposed implementation process is as follows:

- Restructure of the commissioning function - implementation May/ June 2019
- Estates Operations Market Test - Spring 2019 – Dec 2019
- FM re- procurement Spring 2019 – December 2021

- Capital works framework and professional services Framework – Spring 2019- Spring 2021

4.2 The development and implementation of detailed delivery strategies replacing the current contracts in estates, FM and capital will be key decisions and will be brought forward for consideration by the committee in due course.

5. Recommendation(s)

Recommendations: The Policy and Resources Cabinet Committee is asked to note the future commissioning model.

None

6. Contact details

- Rebecca Spore, Director of Infrastructure
- 03000 416716
- Rebecca.Spore@kent.gov.uk