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Roger Gough – Cabinet Member for business Strategy,  
Performance & Health Reform  
Rebecca Spore – Director of Property & Infrastructure Support.

To: Policy and Resources Committee – 27 September 2012

Subject: FACILITIES MANAGEMENT REVIEW – PHASE 1 UPDATE

Classification: *Unrestricted*

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**Summary.** As part of the MTP £10 million of savings have been identified against Property and Infrastructure Support. Part of the strategy to deliver the saving was the implementation of the corporate landlord model and the central management of properties. One work stream being progressed is a review of Facilities Management (FM) delivery. Current delivery across the KCC estate is fragmented, with no clear strategy in place to ensure each location is provided with consistent, satisfactory and value for money FM services

This report is an update on the present position following the receipt of the FM Consultant's strategy options and recommendations.

Phase 1 of the project is now close to completion, and further baseline costs are being sought from KCC Finance to ensure KCC's data is as accurate as possible before we proceed to procurement within Phase 2 (implementation). Following a review of the FM Consultant's options by the steering group, at the procurement board it is recommended that the most appropriate strategy for Phase 2 (implementation) is to implement a total facilities management, with the county split into three geographical areas. A 5 year contract with a 2 year option to extend for each region with a start date of April 2013. Mobilisation of the three contracts is expected to take 6 months from this date.

The Policy and Resources Cabinet Committee are asked to support a decision by the Cabinet Member for Business Strategy, Performance and Health Reform to progress to Phase 2 (implementation).

## 1 Background to the Facilities Management Review

KCC has adopted the corporate landlord model in respect of the delivery of property services and this role is managed by the Property & Infrastructure Support team (P&IS). P&IS has full responsibility for the management of KCC's land and property portfolio including budget responsibility. This involves strategic asset management across the estate and is supported by the provision of property services delivered in-house and via external consultants.

There are approximately six hundred buildings spread across three geographical areas, West, Mid & East Kent. A small proportion of these buildings are serviced directly by seventy eight FM staff, providing reception facilities, porter service, post room, caretaker, cleaning, car parking, meeting room management and basic maintenance.

The remainder of the buildings are serviced via the following elements.

- Kent Facilities Management ( part of Commercial Services)
- Third Party Contracts
- TFM (Total Facilities Management) through external suppliers
- Bundled Services through external suppliers
- Single services through specialist external suppliers

## 2 Need for Change of Use

The delivery of FM services to KCC is currently fragmented and includes internal employees, Kent Facilities Management, PFI, various contracts and single services through specialist external suppliers. The value of spend in this category is approximately £15m but under further review.

The key objective is to deliver high quality, consistent and cost effective FM services across the portfolio.

The current fragmented delivery model is inefficient, with the Council not benefiting from economies of scale across its portfolio. It is anticipated that through adopting a different delivery model significant savings can be achieved. These are expected to be in the order of 10-15% along with the establishment of clear, consistent specifications across the County and appropriate performance management processes.

The current position suggests there is a strong case for a new sourcing strategy for FM that targets rationalisation and competitive market testing which will achieve savings and value-add benefits. The scope of services considered as part of the review are:

### **Managed Services:-**

- Health and Safety Management
- Authorised Persons and Permits to Work
- Special Needs Services

- Risk Management
- Environmental Management
- Business Continuity Management

### **Hard Services**

- Planned Preventative and Reactive Maintenance
- Fabric Maintenance
- Re-Lamping
- Fire Detection Systems
- Lifts, Hoists and Conveyance Systems
- Security, Access and Intruder Systems and Safety Film
- Standby Power Systems
- AV Equipment Maintenance
- Television Cabling
- Hard Landscaping Maintenance
- Soft Landscaping Maintenance
- Control of Asbestos
- Water Hygiene
- Statutory Inspections
- Portable Appliance Testing
- Building Management Systems
- Locksmith Services
- Clocks
- Furniture Management System

- Signage

#### **Soft Services**

- Catering
- Room Bookings
- Cleaning
- Pest Control
- Waste Management
- Reception Services
- Security Services
- Mail Services
- Reprographic Services

#### **Additional Services**

- Space Management
- Statutory/Compliance Surveys
- Change Management
- Best Practice Guidance
- Move Management

### **3 Current status**

The FM review (Phase1) is close to completion and strategy options and recommendations have been received from KCC's FM Consultants, and reviewed by the KCC Steering Group.

The FM services review is divided into two parts, Phase 1, which is to review the current situation and then develop a FM Strategy in line with best practice and value for money, and Phase 2 that involves the implementation of the final strategy.

To help support the review, KCC ran a small competition to source a suitably experienced FM consultant, and Mace Macro was selected. The consultant has been appointed to provide the below Phase 1 support works, and KCC has the option to employ the consultant for Phase 2 depending on the agreed FM Strategy and support requirements:

#### **Phase 1 (Consultant's requirements)**

1. A report that details the current position and confirms what opportunities there are to improve the way KCC deliver FM.
2. Produce a Project Definition Document for approval by the Steering Group.
3. Produce a report that includes intelligence on the current market for our requirement and benchmarking against other local authorities and private sector organisations.
4. Develop a target-operating model, implementation plan (with timeline), change strategy and procurement plan options (with savings targets) for approval by Steering Group.
5. Produce specifications for use in the procurement process.

## Phase 2 (Strategy Implementation)

1. Support the procurement process.
2. Support supplier selection process.  
Support mobilisation process.

### Key project milestones:

Milestones	Finish
Phase 1, April 2012 – FM site Data collection	June/July 2012
Phase 1, April 2012 – Source and appoint FM consultant	May 2012
Phase 1, May 2012 – Consultant's review data, investigate opportunities for improvement, produce proposed FM Strategy.	July 2012
Phase 1, July 2012 – Steering Group review FM Strategy and propose way forward with Senior Management.	August 2012
<b>Recommendation to Cabinet Member for Business Strategy, Performance and Health Reform</b>	Mid/Late September 2012
Phase 2, August/Sept 2012 Commence and Implement FM Strategy.	March/April 2013
Mobilisation of new service providers	April 2013 to September 2013

### The Steering Group:

The Steering Group is led by Rebecca Spore, the Director of Property and Infrastructure Support and meets bi-weekly. The Steering Group supports the Director by progressing and managing the works under Phase 1. This includes reviewing the present services, and producing and agreeing a FM strategy with our FM consultant for implementation during Phase 2.

At this stage of the FM review, the principal members of the Group are:

Name	Organisation/Team	Role
Rebecca Spore	KCC	Director of Property and Infrastructure Support
Terry Whitlock	KCC	Head of Operational Services
Edward Baldwin	KCC	Procurement Manager
Anne Fido	KCC	FM Contracts Manager
Bev Palmer	KCC	FM Contracts Manager
Justin Hills	KCC	FM Contract Manager
Tom Micklewright	KCC	PFI and FM Contracts Team Manager

Vikram Bhatia	Mace Macro	FM Consultant
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Please note – Vikram Bhatia is supporting KCC during this work, but is not a member of the Steering Group.

Following agreement to proceed to Phase 2, the Steering Group will be increased to include such representatives from legal, HR, Communications, and other parties which may be needed to deliver a successful outcome.

### **FM Consultant's Strategy Options and Recommendations**

The following FM strategy options were considered as part of the review, including their advantages and disadvantages.

- Do nothing and remain with a fragmented service – not considered viable
- In-house FM service delivery
- Blended service delivery
- Managed services
- Total Facilities Management

#### **In-house FM Service Delivery**

##### **Advantages**

- Organisation retains full control over facilities service provision
- Changes to service delivery are easier to implement
- No profit margin payable by client

##### **Disadvantages**

- Increased administrative burden of recruiting, training and management of FM staff
- Total risk of service deficiency / failure if retained in-house
- Risk of non-compliance with statutory requirements if retained in-house
- May cost more than an outsourced service delivery model
- Loss of business continuity when key staff are off sick or on annual leave
- Limited additional service delivery resources in the event of sickness or absence
- Direct delivery of facilities management can be a distraction to the organisation. The organisation is unable to focus on its core activities

#### **Blended Service Delivery**

##### **Advantages**

- Optimisation of FM services is achieved to suit the individual needs of the organisation
- It presents a gradual change to a total facilities management model for organisations who currently have all FM services managed in-house, which reduces resistance to change

- Change management may be easier to implement than for in-house FM services

### **Disadvantages**

- Full cost benefit of a Total Facilities Management model are not realised
- Lack of integration in service model, management information and reporting
- Increased administrative burden of recruiting, training and management of FM staff for in-house services
- Risk of service deficiency / failure is retained for in-house services
- Risk of non-compliance with statutory requirements is retained for in-house services
- Loss of business continuity when key staff are off sick or on annual leave
- Limited access to replacement staff to cover absence or sick leave

### **Managed Services**

#### **Advantages**

- A smaller 'intelligent client' function is required to by the organisation
- Individual contracts can be awarded on a service and / or geographical level depending on the strengths of the supply chain, which provides greater flexibility to drive down costs and deliver a higher quality of service. The administration of multiple contracts becomes the responsibility of the managing agent.
- Service failure and statutory non-compliance risk can be transferred to the supply chain depending on the terms of the agreement
- Costs may be lower than in-house or blended services
- Allows the organisation to focus on its core activities
- Costs for re-training as legislation changes are transferred to the supply chain
- Recruitment costs are transferred to the supply chain
- The provision of replacement staff for periods of sick or annual leave is transferred to the supply chain, helping to maintain business continuity

#### **Disadvantages**

- Full cost benefit of a TFM model may not be realised
- Some transfer of control over service delivery for the client organisation
- Management of change may become more complex

### **Total Facilities Management**

#### **Advantages**

- A smaller 'intelligent client' function is required by the client organisation
- There are lower costs and effort associated with administration of the contract
- Service failure and statutory non-compliance risk can be transferred to the supply chain depending on the terms of the agreement
- Cost may be lower than in-house, blended services or managed services
- Allows the organisation to focus on its core activities
- Costs for re-training as legislation changes are transferred to the supply chain

- The provision of replacement staff for periods of sick or annual leave is transferred to the supply chain, helping to maintain business continuity

### **Disadvantages**

- There may be variation in the level of service delivery between the various service lines as the single contractor may have strengths some areas and not in other
- Some loss of control over service delivery for the client organisation
- Management of change may become more complex
- May only be suitable for contracts above a certain value threshold

## **4 Relevant priority outcomes**

The key objective is to deliver high quality and cost effective FM services across the portfolio. There is an expectation that this will be delivered through rationalisation and the introduction of cost effective contracts and partnerships taking into consideration current delivery mechanisms through Commercial Services, external providers and in-house services. The objective will also respond to Bold Steps for Kent, environmental targets, operational risk management, diversity and ensuring any outcomes meet the needs of all Kent residents.

## **5 Consultation and Communication**

At this stage of the FM review, limited consultation has been made, but once Phase 1 is complete and the consultant's proposed FM strategy is available this will be shared with senior management and principle members and a full communication strategy agreed and implemented.

## **6 Financial Implications**

Delivery of a proportion of the £10 million savings is dependant on this review. It is likely that TUPE will apply to any option that is progressed other than maintaining the status quo.

## **7 Risk**

The following Risks have been identified.

### **Strategy Risks**

1. Not clearly defining goals and objectives before starting the outsourcing process.
2. Not establishing an effective internal baseline against which providers are measured, including costs, service and value adds.
3. Inadequate business case development for the outsourcing decision.
4. Making the decision to outsource without complete information on internal costs and processes.
5. Not considering the impact of outsourcing on other functions and ignoring areas of risk such as environmental and regulatory factors.
6. Failure to understand human relations and employment law requirements for an outsourcing initiative.
7. Announcing outsourcing before sufficient details has been finalised, creating morale issues.
8. Lack of risk analysis and risk assessment planning.

### Implementation Risks

1. Initiating an agreement with a service provider that limits flexibility in the future.
2. Having an unrealistic timeline for any of the steps of implementation.
3. Not fully defining an employee transition plan.
4. Not getting the operational issues resolved in the service agreement before moving into the legal aspects of the agreement.
5. Inadequate planning concerning information systems and interfacing with the service provider.
6. Insufficient technology development.

## 8 Equality Impact Assessments

The Steering Group and potential future KCC contracts management team will ensure the needs of stakeholders who use FM services across the estate are considered as and when future service providers implement a new policy, or when they make a change to a current policy or service. An equality impact assessment will be undertaken as part of the final procurement decision report within Phase 2 (implementation).

## 9 Sustainability Implications

The final FM Strategy will include a strong commitment to sustainability, inline with KCC's policies.

## 10 Conclusion and Recommendation

KCC has now received the FM Consultant's report with its proposed strategy options and recommendations.

The Steering Group has reviewed the report and the proposed options, and believe a Total Facilities Management (TFM) strategy is the most suitable for KCC. KCC's proposal is to procure three TFM Contracts across the three areas of West, Mid and East. Where KCC buildings are managed by KFM, our internal teams for the District Offices, or new buildings such as the Bridge or the Kent History Centre, then TFM will be provided. Where offices are partly managed by internal KCC staff from other Directorates (such as some small libraries) the services to be provided will be for the remaining areas of FM requirements at that location. For areas where existing external FM contracts are provided only, these services will be included within the TFM contracts.

A 5 year contractual term is proposed for the three areas, with an option to extend for 2 years commencing April 2013 and then mobilisation until September 2013.

The total value of the three contracts is still to be fully determined, and will be better understood during Phase 2 (implementation).

The benefits to KCC of three TFM contracts is -

- a) **Lower risk of supplier failure:** Having more than 1 contract builds redundancy into the FM service delivery supply chain. Thus if one FM



suppliers fails for reasons such as supplier bankruptcy, it may be easier to piggy back on other regional FM contractors, ensuring continuity of services, until permanent arrangements can be made

- b) **Enhanced choice of supplier:** By splitting the portfolio into 3 regions, FM suppliers who are better placed to deliver in a particular region may be selected. This is particularly relevant to KCC due to its relatively large geographical spread. For example it is unlikely that a mobile maintenance team which is based in one particular location will be able to serve the whole of the county efficiently.
- c) **Supports 'Bold Steps for Kent' initiative:** Splitting the county into regions and procuring regional TFM contracts encourages local business participation as smaller FM service delivery organisations may be able to tender for a regional TFM contract

A decision report will be prepared for the Cabinet Member for Business Strategy, Performance and Health Reform to proceed to Phase 2 (implementation) upon approval by the P&R Committee.

#### **11 Direction Required: Agreement to proceed to Phase 2 (implementation)**

The P&R Committee is asked to note current progress of the FM review and provide agreement to proceed to Member's approval for Phase 2 (implementation) based on a TFM strategy.

The Director of Property & Infrastructure Support will provide further updates on progress to the committee once Phase 2 (implementation) commences.

#### **13 Background Documents**

None.

**Contact details –**

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