

From: Gary Cooke, Cabinet Member for Corporate and Democratic Services

To: The Policy and Resources Property Sub Committee

Decision No:

Subject: **Total Facilities Management – Future Oversight of Contracts**

Classification: **Unrestricted**

Past Pathway of Paper: Policy and Resources Committee 27th September 2012

Future Pathway of Paper:

Electoral Division: All

Summary: This report seeks to update the Policy and Resources Property Sub-Committee on the implementation of a Total Facilities Management (TFM) Solution following the signing of the Mid Kent Contract with Amey, and the West Kent Contract with Skanska. This report also seeks to advise the committee on the withdrawal of Interserve, the preferred bidder for East Kent, and the appointment of Kier as the new preferred bidder.

This report also suggests the level of oversight to be put into place to support the existing contract governance, to ensure the TFM contractors provide the desired outcomes for KCC. This approach is in line with the commissioning cycle principles as set out in the County Council Paper on the 15th May 2014 titled Facing the Challenge: Towards a Strategic Commissioning Authority, with a view to providing wider scrutiny of the contracts performance.

Recommendation(s): The Property Sub-Committee is asked to:

- (1) Note the signing of the Mid Kent and West Kent contracts, and the ongoing discussions with the new preferred bidder for East Kent.
- (2) Consider and endorse the suggested timescales for future biannual briefing papers and presentations
- (3) Note the existing contract governance in place to monitor the performance of the Total Facilities Management Contracts.

1. Introduction

1.1 On the 27 September 2012, the Policy and Resources Cabinet Committee considered a review which had been undertaken to consider how Facilities Management Services are delivered across the County. The report set out a range of options which had been considered to deliver services to KCC's Corporate Landlord buildings and it was proposed that KCC implement a Total Facilities Management solution across the council's estate. Following discussion, the Cabinet Member responsible for this portfolio took a decision

on the 11 January 2013 (Decision No. 12/01838) to proceed with the implementation of a Total Facilities Management solution. A competitive procurement process has been undertaken and contracts have now been signed as follow –

Mid Kent

Contractor - Amey

Contract Signature - 29th August 2014

Contract Start Date – 31st October 2014

West Kent

Contractor – Skanska

Contract Signature – 1st September 2014

Contract Start Date – 31st October 2014

This report is intended to update members on the procurement of these contracts, and to consider the role that the Policy and Resources Property Sub-Committee may wish to have in the long term monitoring of contract outcomes.

2. Financial Implications

- 2.1 A proportion of the property services savings identified in the MTP was dependent on the consolidation of Facilities Management Support across the building stock. This is the equivalent of £1 million revenue savings.

3. Bold Steps for Kent and Policy Framework

- 3.1 The implementation of a Total Facilities Management solution directly relates to the delivery of the benefits from implementing a corporate landlord model as part of the change to keep succeeding plans, ensuring that our buildings are able to support front line service delivery and the delivery of the financial position as set out in the medium term financial plan.

4. The Report

- 4.1 As outlined in section 1.1, an independent service review was commissioned to consider the way that Facilities Management Services are currently delivered and future delivery options. As part of this, a report which outlined the options was considered by the Policy and Resources Cabinet Committee on the 27 September 2012. This included consideration of:

- Do nothing and continue with fragmented service delivery
- In house service delivery
- Blended service delivery
- Managed Services Contracts
- Total Facilities Management solution

4.2 The scope of the service includes building support services to all council properties currently within the property corporate landlord portfolio. Building support services include the full range of soft and hard services. Following discussion at the Policy and Resources Cabinet Committee, a formal decision was taken and a competitive dialogue procurement process has been undertaken to select three total facilities management providers (mid, east and west). The Cabinet Member for Corporate and Democratic Services oversaw with the Director of Property and Infrastructure Support the procurement process and the final evaluation of the tenders received to provide assurance to the executive. The Mid Kent and West Kent contracts have been awarded and signed, and will commence on the 31 October 2014.

With respect to the East Kent contract, the preferred bidder Interserve, withdrew from the procurement at short notice. KCC has now appointed Kier as the new preferred bidder. The East Kent contract is expected to be signed during October, with a potential contract start date during December, though this is dependent on satisfactory responses from the contractor.

4.3 The principles behind the contracts are:

- They are based on the delivery of outcomes. The authority's requirements are set out in the Output Specification. Bidders have then provided solutions which they intend to implement to deliver the outcomes required by the council. Bidders take the risk on how they deliver the required outcomes.
- Performance in the delivery of outcomes is measured against a set of key performance indicators. This is supported by a performance regime where deduction penalties are made for poor performance. The final KPI's for Amey and Skanska against which performance is monitored are included in exempt Appendices 1 and 2 to this report. Please note, some of these KPI's may differ with each other due to the solutions provided for their areas, and also in some cases the contractors provided more demanding KPIs.
- The contracts are for 5 years with an option to extend for 2 years and are designed to foster a partnering relationship.

4.4 As with all substantial contracts (approximately £10 million spend per annum across the three contracts) there is a need to ensure that there is a robust client function and contract management process in place to manage performance. On a day to day basis, Property has put in place a number of contract managers who will monitor activity. This will be supported by monthly performance review meetings with the Director of Property and Infrastructure Support and a quarterly review with the Cabinet Member for Corporate and Democratic Services.

4.5 In order to ensure that members have oversight as to the ongoing performance of this contract, it has been agreed that a biannual performance review is undertaken by the Property Sub-Committee on behalf of the Policy and Resources Cabinet Committee. This approach is in line with the commissioning cycle principles set out in the County Council Paper on the 15 May 2014 titled Facing the Challenge: Towards a Strategic Commissioning Authority, with a view to providing wider scrutiny of the contracts performance.

- 4.6 It is suggested that the first biannual performance review is undertaken on the 1 May 2015, or the nearest Property Sub-Committee date, following the submission of a further briefing paper by the Director of Property and Infrastructure Support. It is also suggested that all three TFM contractors attend the committee to provide a further presentation and answer member's questions. Further briefing papers and reviews are then to be planned for every November and May.
- 4.7 It is also suggested that the first briefing paper and presentations will concentrate on the challenges of the first 6 months of the contracts, identifying areas where Key Performance Indicators (KPIs) have not been met, and the actions plans in place to address these shortfalls. The report will also highlight any financial penalties applied to the contractors, and progress of savings and potential opportunities for improved income. The committee will be asked to note the contents of these briefing papers and confirm they are content with the level of performance monitoring in place or suggest changes.
- 4.8 The above biannual reviews will form part of the following contract governance in place, managed by the contract management team within Property and Infrastructure Support –
- Daily monitoring of contractors' performance through discussions with contractors and stakeholders
 - Daily monitoring of Helpdesk performance through scrutiny of the contractors CAFM system (computer aided facilities management)
 - Site visits and discussions with stakeholders
 - Regular planned Stake holder meetings
 - Weekly, monthly and ad hoc contractors meetings
 - Monthly contract review meetings
 - Review of contractors' monthly reports against KPIs
 - Review of contractors' annual plans against KPIs
 - Review of monthly invoices.
 - Budget management

5. Conclusions

- 5.1 These are substantial contracts to provide facilities management services to the Council's property portfolio. Whilst the above robust contract management processes have been put in place within Property and Infrastructure Support, additional reporting and oversight feeding through to Cabinet is suggested. It is also appropriate that the Policy and Resources Cabinet Committee and the Property Sub-Committee receive assurance as to the performance of these contracts against the key outcomes set within the contracts, and the above timescales and information to be provided would form part of planned reporting.
- 5.2 A briefing session for the Property Sub-Committee members is planned for the 22 September 2014, to provide an overview of the two successful bidders' approach, including high level presentations from Amey for Mid Kent and Skanska for West Kent.

6. Recommendation(s)

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- (2) Consider and endorse the suggested timescales for future biannual briefing papers and presentations
- (3) Note the existing contract governance in place to monitor the performance of the Total Facilities Management Contracts.

7. Background Documents

7.1 Policy and Resources Cabinet Committee Report 27 September 2012

7.2 Record of Decision No: 12/01838

7.3 Key Performance Indicators for Mid and West Kent (Exempt Appendices 1 and 2 attached).

8. Contact details

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