

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

Rebecca Spore, Director of Property and Infrastructure Support

To: The Policy and Resources Property Sub Committee

Subject: **Total Facilities Management – Biannual Review**

Classification: **Unrestricted**

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

Future Pathway of Paper:

Electoral Division: All

Summary: This biannual report seeks to update the Policy and Resources Property Sub Committee on the performance of the Total Facilities Management (TFM) Solution following the signing of the Mid Kent Contract with Amey, the West Kent Contract with Skanska, and the recent East Kent Contract with Kier.

This report includes the Performance Deductions of the Mid and West TFM contractors during the bedding in period, the issues encountered by KCC services, and the KCC contract management in place which has helped resolve these issues with the contractors, so the Property Sub Committee has oversight of the contractor's performance and KCC governance.

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 Policy and Resources Property Sub-Committee is asked to:

- (1) Note the performance of the Mid Kent, West Kent, and East Kent TFM contractors during this early bedding in period.
- (2) Note the issues which have occurred and actions to resolve these items.
- (3) Note the existing KCC contract governance in place to manage and 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 follows –

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

East Kent

Contractor – Kier

Contract Signature – 1st December 2014

Contract Start Date – 21st January 2015

This report is intended to update members on the performance of these contracts, and to provide members with assurance that management and monitoring of the three TFM contracts is in place.

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 Facilities Management 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 were awarded and signed, and commenced on the 31st October 2014.

With respect to the East Kent contract, the preferred bidder Interserve, withdrew from the procurement process at short notice. KCC then appointed Kier as the new preferred bidder. The East Kent contract was signed on the 1st December 2014, and commenced on the 21st January 2015.

4.3 The principles behind the contracts are:

- 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 (KPIs). This is supported by a performance regime where deduction penalties are made for poor performance. 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 and support officers who will manage and 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 was suggested that the first biannual performance review is undertaken on the 27th March 2015, following the submission of a briefing paper by the Director of Property and Infrastructure Support. It was also suggested that at future biannual reviews the three TFM contractors could attend the committee to provide a further presentation and answer Members' questions. Further briefing papers and reviews are then to be planned for every October and March.
- 4.7 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. Performance Review

- 5.1 This is the first biannual review and this has been undertaken during the contractors bedding in period. All contractors have worked very hard to mobilise the three contracts within a very short timescale, and since contract commencement date they are now delivering facility management services to over 300 KCC premises, and working successfully in partnership with KCC.

The financial performance deductions within the appendices reported since the Mid Kent and West Kent contracts commenced on the 31st October 2014, and the results demonstrate the very early nature of the contracts.

Please note, as there is a 3 month bedding in period for these two contracts it was agreed that no financial penalties are applied for November 2014,

December 2014, and January 2015. From February 2015 financial penalties can be applied.

For East Kent we are waiting for the issue of the first monthly performance report, again Kier will have a 3 month bedding in period before performance deductions apply.

- Mid Kent Performance Deductions. November 2014 – Please see Exempt Appendix 1, December 2014 – Please see Exempt Appendix 2.
- West Kent Performance Deductions. November 2014 – No report provided as agreed with KCC, December 2014 – Please see Exempt Appendix 3, January 2015 – Please see Exempt Appendix 4.

East Kent Performance Deductions. To be reported at next biannual review.

5.2 The attached appendices show the areas where Performance Deductions have been identified in Mid and West Kent. During this period all contractors (including Kier) have encountered issues with responding to a number of requests on time, and in particular with the following services –

- Late delivery of some consumable supplies.
- Some delay in response to repair requests within the contractual timescales.
- In some instances the Helpdesks not following up with requests when parts have been ordered.
- Cleaning below the required standard in some instances.
- Some issues with bins not being delivered to site
- Planned Preventative Maintenance delayed in some areas.
- Some confusion on who is responsible for providing caretaking and handyman services at certain sites, as not all KCC caretakers and handyman staff transferred to the contractors and were retained by the services.

5.3 The contract management teams of both KCC Property and the TFM contractors have worked hard to resolve the above issues. Actions have included –

- Meetings arranged and attended with area managers and stakeholders from the services that have raised concern with the new service. These meetings are also used to explain the TFM services and service matrix.
- The KCC Property team being the point of escalation for service users if a request has not been actioned or is unresolved.
- Daily clarification to site users at meetings, by phone and email, on the scope of individual works.
- Identification of incorrect contractual services items and resultant changes within the individual site matrix for those sites.
- Daily contact between both teams to resolve items which require contractual clarification.
- Continuation of specialist sub-suppliers to some locations to maintain consistency of service i.e. care homes.
- As per item 4.7 weekly meetings with contractors to review issues and services and management and monitoring of the contracts.

6. Conclusions

- 6.1 During this early bedding in period the three TFM contractors have faced many challenges in providing the services which have generally been actioned and resolved, but the services presently provided by the contractors identified within item 5.2 are below their own high expected standards, and the standards expected by the Property team and KCC's stakeholders.

These three contracts are very new to KCC, and taking into account there are over 300 sites to be managed by the three contractors across the three areas of Kent, and the transfer of a large number of staff (both KCC and third party) to their new companies occurred within a short mobilisation timescale, and the cancellation of many small contracts which were in place before corporate landlord, KCC did expect there to be issues with the new services provided, and generally the three TFM contractors have managed to provide a reasonable service to most of the Corporate Landlord estate.

There are still many issues to be resolved by the TFM contractors to raise the standard of the services, but working in partnership with the Property contract management team we will continue to drive up performance for our stakeholders, improve communication of TFM across KCC, and drive through the improvements in quality, consistency in service, efficiency and value for money which was the foundation of implementing a TFM solution.

- 6.2 It is suggested that the three TFM contractors are invited to the next planned biannual review in October to present to members an update on their performance, and answer any member's questions.

7. Recommendation(s)

Recommendation(s):

The Policy and Resources Property Sub Committee is asked to:

- (1) Note the performance of the Mid Kent, West Kent, and East Kent TFM contracts during this early bedding in period.
- (2) Note the issues that have occurred and the actions to resolve these.
- (3) Note the existing contract governance in place to manage and monitor the performance of the three Total Facilities Management Contracts.

8. Background Documents

- 8.1 Policy and Resources Cabinet Committee Report 27 September 2012
- 8.2 Record of Decision No: 12/01838
- 8.3 Attachments Exempt Appendices - Performance Deductions for Mid Kent and West Kent TFM contractors (Mid Kent November 2014 and December 2014).

Performance Deductions. West Kent December 2014 and January 2015
Performance Deductions).

9. Contact details

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