

Open Report on behalf of Pete Moore, Executive Director of Finance and Public Protection

Report to:	Value for Money Scrutiny Committee
Date:	21 September 2015
Subject:	Property Services Contract update

Summary:

This report provides an update on the contract governance, mobilisation, transition, assurance and improvement framework of the Council's property services contract with VINCI mouchel.

Actions Required:

The Committee is asked to consider and comment on the report and progress made with the contract to-date.

1. Background

On 29th July 2014, the Value for Money Scrutiny Committee considered a report prepared for the Executive recommending that the Property Services contract with a 5 year saving of £2m be awarded to VINCI mouchel. The Committee supported the recommendations in the report.

The property services contract consists of three distinct work streams:

- 1) Development - strategy, estates & valuation and property records
- 2) Delivery – Capital projects
- 3) Operations - Hard and soft facilities management* see footnote.

Each work stream is led by Council Officers and they have a counterpart in VINCI mouchel.

In advance of the appointment of VINCI mouchel, Corporate Property restructured its service, aligning with the structure of the new contract prior to the contract mobilisation period.

* Hard facilities are the repairs and maintenance, and minor works carried out on properties.
Soft facilities include; cleaning, catering, waste management, grounds maintenance, pest control

2. Key components of the new contract

2.1 Governance

Effective governance is central to the successful implementation of the contract and a Mobilisation Steering Group was formed in September 2014. The Group, chaired by the senior managers of both parties, met on a weekly basis to coordinate and prioritise key activity. Since the 1st April 2015, the Group, renamed the Transition Steering Group, continues to track the progress of the areas that are still under development.

Routine management of the contract includes fortnightly joint meetings, chaired by the work stream leads.

Work stream leads report monthly to the Joint Management Board (JMB), chaired by the County Property Officer and attended by the VINCI mouchel senior managers. Senior level governance is provided through quarterly meeting of the Executive Board, attended by the Executive Director of Finance and Public Protection, the County Property Officer, the Operations Director of VINCI mouchel and Directors from Kier and VINCI Facilities. The Portfolio Holder for Property and Finance will be updated on a quarterly basis.

2.2 Service Manager Delegations

The Employer's representative, the Service Manager, is named in the contract as the County Property Officer. The form of contract enables contract management to be delegated appropriately to members of the Corporate Property team, allowing for close and effective management of the services being provided. The LCC Contract Manager oversees all service areas and contractual compliance and each work stream lead is responsible for their area, on behalf of the Service Manager. This formal management approach encourages ownership and management of risk at the appropriate level and clearly identifies an escalation route.

2.3 Property Database - Concerto

The property services contract uses Concerto which is an industry leading web-based property records system that enables Corporate Property to manage property data. As well as storing all key information about individual properties, it also has areas designated to each work stream, tracking the progress of all work orders, from repair teams to the activity of the professional services. Programmes and projects are managed on the system and the 'contract notices' section aids managing risks and their potential effects on a project. There is also a section for the management of contractual communications.

The focus during mobilisation was to ensure Concerto could deliver the Day-1 requirement. This consisted of a number of key actions that, if the system were to fail, would hinder the operation of the property contract, e.g. the correct allocation of suppliers or prioritisation of work requests. Day 1 requirements were delivered and, throughout mobilisation, the system has been continuously developed and improved, managed by VINCI mouchel with client input.

Through Corporate Property working closely with Corporate Audit, concerns over access security (identified by Leicester City Council) were brought to our attention. Leicester were invited to test LCC's system and the results have been positive, with no breach reported to date.

2.4 Communication

All activities and communications in Concerto leave an audit trail, enabling issues and processes to be logged and transparent. Analysis of the information is a key enabler of continuous improvement.

Contractual communication timelines, built into Concerto, ensure that responses are received and managed in a timely and efficient manner. Failure to do so can affect performance figures which, in turn, can jeopardise financial incentives. The contract response period for all matters is 14 days, unless otherwise agreed by both parties.

2.5 Service Delivery Plans

Each work stream developed a Service Delivery Plan during contract mobilisation. The Plan gives a detailed description of the scope of the service and how the contractor will deliver it. Regular reviews against these base-lined documents will prevent straying from the original content of the contract.

Modifications, through improvements or changes to the service, are managed by contractual processes.

2.6 Contract Management Manual

The Contract Management Manual was commenced during mobilisation and its development is well advanced and all key processes are documented. The Manual provides detailed guidance of how the contract is to be managed. It consists of a collection of key documentation, outlining core processes that can each be refined and updated. It also explains the reasoning behind decisions made in the early stages to inform future managers of the original intent.

2.7 Property Service Centre (PSC)

The Property Service Centre co-locates the previous 'helpdesk' with operational decision makers. This has led to timely and well-considered responses to the majority of calls or emails to the property services team. Some 92% of customer satisfaction surveys rate the service as good or very good. The target is 95% for year one.

The PSC concept was new to many of the staff that TUPE'd into the new role and there has been a great deal of work to change behaviour. Training and the refining of processes is ongoing.

2.8 Financial Reports

The three significant contractual financial reports are referred to below with the progress made to date.

- 1) **Budget Forecasting Reports.** VINCI mouchel are contracted to provide budget forecasts at five week intervals. Currently, data is provided from three sources, namely: Concerto, Connect (a Mouchel system) and Coins (a VINCI system). This requires manual entries from the VINCI mouchel commercial team. Development is ongoing to enhance communication between Concerto and the other systems,

making the process more efficient and transparent. The Council can interrogate parent company systems by request, under the terms of the contract. A full review of spend will take place in October 2015.

- 2) **Key Performance Indicators (KPIs).** KPI reporting is embedded in Concerto and most of the data is auto-generated. KPIs are reviewed quarterly to identify and improve low performance. The commercial elements of the contract are designed to give an incentive to deliver elements of the service under a target cost that was priced with the tender. Savings or overspend against these targets is split between parties; this is called the pain/gain share. Low performance can affect the contractor's share of any gains. Pain/gain assessments are carried out biannually; the first will occur at the end of September 2015. Examples of KPIs are
 - Pest Control - Surveys and reports completed and up to date for all required location
 - Accuracy of estimates for minor works - forecast cost v outturn cost
 - Employer's compliance with Control of Asbestos Regulations
- 3) **Low Service Damages (LSDs).** LSDs are a financial deduction of the fees that may be imposed on the Contractor for missing contractual targets in reactive maintenance response times and task completion dates. Initial reports have helped identify areas for improvement, ranging from incorrect prioritisation of tasks to a lack of familiarity with the IT systems. A detailed analysis and assessment of all incidents attracting damages has helped improve communication and processes. Subcontractors have been given the opportunity to discuss their performance and plans have been put in place between VINCI mouchel and the supply chain to monitor them. This assessment is carried out twice monthly.

3. Assurance and Improvement Framework

The Assurance and Improvement Framework is part of the Contract Management Manual and ensures that auditing is intrinsically linked to routine business processes and procedures. Corporate Property engaged with Corporate Audit in the early stages of mobilisation and has developed the framework. Early constructive challenge has resulted in a system which benefits from the automated audit trail of routine business, e.g. risk management. This is gradually being implemented in transition.

3.1 Key Principles

Key principles for audit and improvement are that it:

- 1) is carried out by and owned by Corporate Property and VINCI mouchel
- 2) includes internal auditing and peer review
- 3) is data and evidence driven
- 4) maximises use of data that is already collected for other purposes
- 5) includes external learning e.g. from the Lincolnshire Highways Alliance and wider industry
- 6) is accountable to the Executive & Joint Management Boards
- 7) provides constructive challenge
- 8) works with the Council's Internal Auditors

3.2 Scope

Areas that assurance and improvement will cover include:

- 1) commercial and financial
- 2) contractual
- 3) governance
- 4) operational
- 5) performance
- 6) processes and systems
- 7) risk management

3.3 Peer Review

A peer review will be conducted in October 2015 by an independent consultant who will report to the Joint Management Board. The plan is to synchronise these reviews with KPI reviews on a quarterly basis.

4. Conclusion

The Committee is asked to note progress to date. Corporate Property are continuing to deliver and identify further opportunities for efficiencies and savings.

5. Consultation

a) Policy Proofing Actions Required

N/A

6. Appendices

N/A

7. Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

Please direct any questions raised by this report to Brian Goodwin, Contract Manager, who can be contacted on 01522 553 503 or by email at brian.goodwin@lincolnshire.gov.uk.

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