

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

Report to:	<b>Overview Scrutiny Management Board</b>
Date:	<b>30 November 2017</b>
Subject:	<b>Property Services Contract Update</b>

**Summary:**

This report updates the Board on the performance of the Property Services Contract with VINCI Facilities Partnership Limited (VFPL, formerly VINCImouchel) at the end of the second year of the contract.

**Actions Required:**

The Board is asked to note this report.

## **1. Background**

In July 2016, the Value for Money Scrutiny committee noted the performance of the VFPL contract for year one. This report informs the committee on the performance of the contract in year two.

## **2. Contract Performance**

### **2.1 Service Manager's Assessment**

The Property Services contract has learned many lessons that were identified in year one and implemented an ambitious improvement programme that included three targeted improvement projects and a clear set of 27 tactics that formed the 12-18 month business plan. Key performance indicator (KPI) percentage scores are above target demonstrating a strong delivery foundation on which improvements can be built. Corporate Property governance has evolved over time to ensure the content, frequency and decision making authority of all meetings supports the risk management requirement. The buy-out of the contracts Joint Venture partner Kier Workplace Services by VINCI Facilities earlier this year has caused no disruption to service delivery and is, from a Lincolnshire County Council perspective, seen as a positive step enabling stronger subcontractor supplier management. The outcomes of a second peer review are focussing Corporate Property's main effort and priorities which are being set for the next 18 months. The assessment is that the contract, overall, is performing strongly and will continue to do so.

## 2.2 Health and Safety

In year two, there has been an increase in the reporting of health and safety related incidents, this has followed from VFPL driving a culture of positive interventions, where employees are encouraged to prevent incidents and report them and this has been reinforced in personal objectives for both VFPL and Lincolnshire County Council staff. For comparison, in year one there were only 3 recorded positive interventions compared to 41 in year two. The health and safety seminar at the staff conference held in year two attracted the highest score from participants when assessing the interest and relevance of the subject. A number of Lincolnshire County Council and VINCI staff have attended IOSH accredited training courses and the team embraced a Kier sponsored health and safety week in Feb 17. Corporate Property is regularly updated on Lincolnshire County Council policy through attendance on the Lincolnshire County Council Corporate Risk and Safety Group.

## 2.3 Finance

- **Pain/ Gain Result.** The bulk of the contract operates on a target costs basis, the figures of which were competitively tendered. The collaborative principle of shared risk against target costs has incentivised the identification of inefficiencies. The target for year-two was to improve on year-one gain by utilising the lessons learned in that year to improve efficiency and effectiveness. The gain-share for year-one and year-two is broken down for comparison in the table below:

Item	Year One	Year Two
Projects Target Costs Gain	£ 5,578.13	£ 5,645.07
Contract Target Costs Gain	£ 54,615.20	£ 170,982.51
Total gain	£ 60,193.33	£ 176,627.58
Lincolnshire County Council/ VINCI mouchel split	£ 30,096.67	£ 88,313.79
KPI % deduction applied	£ 27,668.93 to VM	£82,838.33 to VM

In summary, the gain in Projects Target Cost is similar to year one and this is to be expected given the nature of the work in that element. Much of the gain increase between year one and two can be attributed to the contract start-up costs in year one and the rationalisation of cleaning hours across the corporate estate in year two. Smaller gains have been made by an increase in the use of direct labour (VFPL Mobile Repair Technicians) to carry out planned and reactive maintenance. This has led to improved planning and sequencing of work. The target for year three is to sustain or marginally improve on the gains made in year two.

- **Low Service Damages (LSDs).** One of the performance levers within the contract is the award of Low Service Damages for reactive maintenance tasks. Each task is prioritised and this will dictate the response (reaction to the task) and completion (the timeframe by which a task must be rectified) requirements. Sanctions for delayed response and completion range from £150 to £250 per occurrence depending on the priority of the work. The total value of year-one low service damages was £40,750, compared to £12,900 in year two. To put this into perspective, the damages are set

against a turnover of circa £6.4 million. VFPL continue to monitor their supply chain's ability to react and complete work in accordance with contractual requirements. The time spent working with the subcontractors has paid off, evidenced by this significant reduction in the amount of low service damages that have been applied.

## 2.4 Governance

Changes in contract governance in year two include enhanced risk focussed reporting and the introduction of a Project Review Board made up of Kier, VINCI and Lincolnshire County Council business managers from the projects workstream, the contract manager and a member of the business and finance team. This board will provide greater scrutiny of risk management on key projects, primarily focussed on budget. It also ensures that all project risk is managed effectively and has helped to identify and share lessons learned.

## 2.5 External Audit

Corporate property commissioned an external audit to review the contractual and financial process performance of the contract. Whilst the report was complimentary regarding collaboration, openness and compliance with the principles of the NEC contract, the report highlighted 3 medium and 1 high risk items, each of which have been or are in the process of mitigation. The high risk item referred to the amount of manual handling of the payment application through 3 separate financial software systems. Whilst interfacing the systems was preferential, it is commercially and practically unachievable. Instead, the risk has been mitigated by a system of checks and balances that have been implemented. The table below details the key findings and the mitigation.

	Finding	Risk Level	Mitigations/Actions	Post Mitigation
1	Several non-integrated IT financial systems are required leading to manual handling and reliance on key individuals.	High	1. Fully document the end-to-end process 2. Train others in the processes	Low
2	Over-reliance on key individuals causing potential single point of failure	Medium	1. Fully document processes 2. Train others in processes 3. Develop succession plans for key individuals	Low
3	Insufficient evidence of the tangible value being realised for Lincolnshire County Council through this FM delivery model.	Medium	1. Develop and implement new measures 2. Revise internal reporting to include new measures so they receive appropriate challenge 3. Conduct a time and cost value exercise on key continuous improvement initiatives	Low
4	Improved visibility of overall expenditure budgets for reactive maintenance.	Medium	1. Review of end-to-end process of reactive maintenance spend 2. Regular report on rechargeable tasks to ensure correct allocation of costs	Low

## **2.6 Peer Review**

Corporate Property and VFPL commissioned a peer review in Jun 17. The review aimed to explore how staff and managers perceive performance; it sought to understand how effectively the One Team is operating.

Both Neil Earnshaw (NE Consult) and Paul Taylor (VINCI Facilities) have a working knowledge of the contract, but are not involved directly in the management of it. This meant that they quickly understand the issues but could remain objective.

The methodology involved interviews with managers and staff individually followed by a series of focus groups.

It became clear through the peer review that good progress is continuing to be made and the One Team is starting to work effectively at a senior management level.

Senior managers were positive about the usefulness of the VMOST (vision, mission, objectives, strategies, and tactics) approach to support strategic planning, and through this have built good working relationships, with high levels of trust being apparent between them. Governance of the contract is working effectively with managers understanding what is expected of them in terms of reporting.

The One Team conference is viewed by staff and managers alike as being hugely beneficial in terms of helping to build relationships, and improving people's understanding of what others do.

The commercial model, Concerto and the co-location of some of the teams were confirmed as being enablers for a more open, transparent and collaborative environment, with staff and managers now seeing the benefits of this approach.

The contract is perceived to be a success both internally (in the One Team) and externally by Lincolnshire County Council, as a consequence confidence levels are good, and the team has an action-focussed, problem-solving approach to getting things done and improving.

The leadership of the One Team are well regarded by their teams who can see how joined up things are, and the level of commitment there is to making things work. The open and supportive style of leadership from the One Team was also given much credit for the amount of progress that has been made.

Whilst the focus on the One Team approach has been a key enabler for the improvement of working relationships between Lincolnshire County Council and VM, the governance, processes and systems required to fully embed joint team working are now lagging behind and causing some inefficiencies.

Whilst the senior management team are joined up and have a collective sense of what One Team means, some staff do not fully understand how this applies to them, particularly those who are not interacting with each other on a daily basis; this will be a focus over the next 12 months.

## **2.7 Key Performance Indicators (KPIs)**

Year 2 outturn was 93.8%. The stretch target was to achieve an overall score of 90%, the baseline (contract) target is 75%. The table showing the annual results is at Appendix 1. There was one item that scored lower than the baseline target (75%), namely FM02 – Failures of undertaking statutory inspection – 69%

FM02 is a priority KPI and carries a significant penalty. All of the penalty deductions came from one subcontractor providing legionella testing and inspections. Five statutory inspections were missed in one year (over 4000 inspections per annum undertaken). Whilst there was mitigation, the KPI was enforced to incentivise VFPL to ensure that the tracking and closing down of planned inspections was conducted in a timely manner. This element of the service has been reviewed and an improvement plan has been implemented.

## 2.8 VMOST

VMOST, standing for Vision, Mission, Objectives, Strategies and Tactics is a model that VINCI introduced to the contract and is used to shape the 12-18 month business plan. A change from the previous 2 years, this year each step of the process will be delegated to the level where the work takes place. This is to increase staff buy-in. Many will see the outcomes of the peer review directly translated into an improvement tactic that will be resourced and managed throughout the year. The process started in early Nov 17 and the plan is due to be rolled out at in Jan 18.

## 2.9 Continuous Improvement

The first 3 projects facilitated by the Greenbelt LEAN practitioners are in the monitoring phase:

- **The Capital Repair and Maintenance Programme.** The Capital Repair and Maintenance Programme is a £5 million annual programme of works for schools and non-schools properties based on the reports from 5 yearly condition surveys and annual risk assessments. In the latter years of the Mouchel contract, the programme underspent and was not managed effectively. The VINCI contract prioritises capital works in order to reduce reactive, revenue costs down the line. The processes developed as part of this improvement project are being used in the delivery of the 2017/18 programme and will be fully engrained for the 18/19 programme. Benefits include enhanced programme management and the ability to deliver work packages from different disciplines e.g. professional services (design, project management etc) and construction contractors, under the same project, creating efficiencies in financial processes. The project also identified key milestone dates that effectively 'freeze' the programme to a higher degree of certainty, earlier in the financial year. The project closed in Oct 17.
- **Concerto Roles and Checklists.** This project was undertaken to assist project managers with compliant procurement processes, to clearly identify roles and responsibilities between parties, to provide a platform to load up key contract documentation and to workflow the correct authorisation process. A large number of old checklists that had been created over the years were refreshed and rationalised and placed into Concerto, the computer system within which the contract is managed. Training is taking place in Oct/ Nov 17 and all new projects will utilise the checklist process. This reduces the risk of non-compliance and aids project progress reporting.
- **Property Service Centre.** A review of the Property Service Centre aimed to ensure that the service being provided was fit for purpose and that the improvements identified in year one had been adequately adopted. As a result of the project, the Property Service Centre is currently undergoing a change which will see the call handling

element of the service transferred to VINCI's professional national helpline centre in Manchester. Further improvements include the input of a dedicated task planner that will ensure we get the most efficient use of the supply chain and improved customer satisfaction survey data capture and interpretation. The changes will be phased-in between Nov 17 and Apr 18.

## 2.10 Staff Engagement, Awards and Recognition

The first clause in the contract states how the Parties must act as stated in the contract and in a spirit of mutual trust and cooperation. The table below highlights some of the good work that the team have put in to live up to the ethos of the contract.

Staff Conference	Employee/Team of the Month
<p>Excellent feedback from the October ONE Team Staff Conference</p> <p>The event had a café style activities with team members hosting an event about their area of specialism. The most popular events were:</p> <ul style="list-style-type: none"> <li>• Health and Safety</li> <li>• A Day in the Life of an MRT</li> <li>• Lincolnshire County Council Strategy</li> </ul>	<p>In February 2016 the Employee of the Month Award was launched</p> <p>Following staff feedback the Team of the Month Award was introduced</p> <p>There is a Special Recognition Awards to deserving nominations</p> <p>This has been a really popular initiative with many cross-team nominations.</p>
Awards	ONE Team Safety Week
<p>Lincolnshire County Council/VM were finalists in the following 2017 Awards/categories:</p> <ul style="list-style-type: none"> <li>• MJ Awards 2017 - Workforce Transformation</li> <li>• Celebrating Construction Awards – Workforce Transformation</li> <li>• RICS Awards – Gibraltar Point: Community Benefit, Design Innovation and Tourism and Leisure</li> <li>• East Midland Building Awards – Manor Farm – Best Educational Building</li> <li>• BIFM 2017 Awards – Workforce Transformation</li> </ul>	<p>A perfect example of taking and using best practice from across organisations was Kier's national Safety Week initiative and rolled it out across the ONE team.</p> <p>Joint activities included:</p> <ul style="list-style-type: none"> <li>• Office Inspection in County Offices and Newlands</li> <li>• Quizzes</li> <li>• The importance of Positive Interventions</li> <li>• Toolbox Talk/Awareness Sessions on CDM</li> </ul>

## 3. Conclusion

The Board is asked to note performance of year-two. Corporate Property are continuing to deliver and identify further opportunities for efficiencies and savings.

## 4. Consultation

### a) Policy Proofing Actions Required

N/A

## 5. Appendices

These are listed below and attached at the back of the report	
Appendix 1	Key Performance Indicator Results

## 6. 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](mailto:brian.goodwin@lincolnshire.gov.uk) .

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