

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

Report to:	Overview Scrutiny Management Board
Date:	27th September 2018
Subject:	Property Services Contract year 3 report

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 third year of the contract.

Actions Required:

The Board is asked to note this report.

1. Background

In Nov 2017, the Overview Scrutiny Management Board noted the performance of the VFPL contract for year two. This report informs the Board about the performance of the contract in year three.

2. Contract Performance

2.1 Service Manager's Assessment

The Property Services contract undertook an extensive audit and peer review in year three that gave a comprehensive list of recommendations for continuous improvements. Year three priority has been to turn the recommendations into actions, delivered primarily through the VMOST business plan.

The One Team response to the Grenfell Tower disaster and the subsequent cladding audit was very impressive. The details are later in this report.

Corporate Property and VFPL have been at the centre of strategic decisions, are project managing all of the construction and are delivering or planning for operational building management of all sites that form part of the blue light collaboration programme involving Lincolnshire Police, East Midlands Ambulance Service and Lincolnshire Fire and Rescue Service. The scale and complexity of the programme has tested all teams within the

property services contract, many lessons have been learned that will benefit Corporate Property in future endeavours.

2.2 Health and Safety

In year three there has been a continued focus on the reporting of positive interventions, where employees are encouraged to address unsafe acts or situations, thereby preventing potential incidents. Last year there were 65 recorded positive interventions compared to 41 in year two. A bi-annual Health and Safety Committee, incorporating LCC, VINCI and Kier, has been initiated to review H&S incidents and trends across the contract and focusses on the implementation of changes in legislation and other key areas, such as management of sub-contractors. VINCI are planning a Supplier Health and Safety Day before the end of the calendar year.

2.3 Finance

- **Pain/ Gain Result.** A significant proportion of the contract operates on a target costs basis, the costs of which were competitively tendered. The collaborative principle of shared risk against target costs has incentivised the identification of inefficiencies. The target for year-three was to marginally improve on year-two gain by utilising the lessons learned in that year to improve efficiency and effectiveness.

As there are other more effective KPIs that incentivise time, cost and quality management for Capital projects and due to the low levels of gain and the time required to manage it, the pain/ gain incentive was removed from the Capital projects element of the contract. The gain-share for year-two and year-three is broken down for comparison in the table below:

Item	Year Two	Year Three
Projects Target Costs Gain	£ 5,645.07	Taken out of contract in Yr 3
Contract Target Costs Gain	£ 170,982.51	£208,573.25
Total gain	£ 176,627.58	£208,573.25
LCC/VFPL split	£ 88,313.79	£104,286.62
KPI % deduction applied	£82,838.33 to VM	£92,293.66 to VINCI

The marginal improvement in gain-share can be attributed to further savings on the cleaning element of the contract and the amalgamation of roles in the VINCI delivery team.

- **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-two low service damages was £12,900 and the value in year-three was £17,700. To put this into perspective, the damages are set against a turnover of circa £5.1 million. This rise can be attributed to VFPL's fair but

robust management of their supply chain, with three providers in particular standing out. These areas have since been re-tendered to ensure better performance.

2.4 Key Performance Indicators (KPIs)

Year-three outturn was 88.5% which is lower than the 93.8% outturn for year-two. The annual 'stretch' target is 90%, the baseline (contract) target is 75%. The table below shows the annual results by quarter:

Q1	Q2	Q3	Q4	Yr 3 Total
92.3%	90.7%	91.4%	79.7%	88.5%

The reduction in Q4 is attributed to an issue with the water management component of the contract. Whilst this lapse in performance was of concern, VFPL have been extremely diligent and thorough in their response and have managed the corrective actions effectively, drawing on wider national VINCI resources and an independent external consultant to conduct a meticulous review. Lessons have been learned, some of which are now adopted across other elements of the contract. The water management package has been re-shaped as a result of the review and is being re-tendered in Q2 of year-four.

2.5 Cladding Audit Review

Following the Grenfell Fire tragedy, LCC received a number of requests from Government to supply information about its estate, (height of building and ACM cladding) to be completed within demanding timescales. LCC took the decision to assess all of its properties to establish the presence of ACM cladding. VFPL mobilised a team to undertake this work resulting in:

- Assessment of 923 buildings
- Initial desktop assessment of buildings - using teams experience and knowledge to prioritise visits
- Priority 1 visits to schools, academies and school buildings with residential accommodation were completed in 3 working days (214 visits)
- Priority 2 visits (and secondary checks on Priority 1 visits) completed over the next 5 working days
- The resources mobilised for visits consisted of:
 - 2 Regional Building Surveyors
 - 3 Building Surveyors
 - 3 Regional Facilities Managers
 - 10 Mobile Repair Technicians
- The team covered 2541 miles across the County

No ACM cladding was identified. This was an excellent piece of planning which was executed with a high standard of professionalism and sense of urgency. The work was

recognised by Members and Executive Officers alike and provided a great deal of reassurance to the Council and staff and customers using LCC buildings. LCC was the only Council to assess all of its properties.

2.6 Blue Light Collaboration Programme

Corporate Property and VFPL are delivering the property element of the blue light collaboration programme. Corporate Property have completed or are in the process of delivering a number of individual service moves across the county as well as larger projects including the transformation of the former fire headquarters at South Park in Lincoln to become a new £20 million ambulance, police and fire station, set to open in 2019. The programme has the potential to: release 27 surplus property assets; generate capital receipts estimated at £3.9 million and release approximately £700,000 of running costs per annum.

2.7 Contract Extension

The contract service period is 5 years extendable up to 10 years by one year periods after year 3 depending on the performance results. The assessment and decision to extend to for first year is wasmade in year-three. Whilst re-tendering subcontracts, VFPL recognised that there was an opportunity to reduce costs by extending the contracts with its supply chain, fixing lower costs for a longer contract. The estimated savings, based on current work volumes, are: £108,000 for a 2 year extension and £163,000 for a 3 year extension. Corporate Property have recommended this proposal to extend the contract by 3 years to 2023.

2.8 VMOST

VMOST, (**V**ision, **M**ission, **O**bjectives, **S**trategies and **T**actics) is a business planning model that VINCI introduced to the contract from the outset and is used to shape the 12-18 month business plan. A key development this year is that, to improve staff engagement, each step of the process has been delegated to the staff level where the work takes place. The VMOST also includes outcomes of the peer review directly translated into improvement tactics that will be resourced and managed throughout the year. The process started in early Nov 2017 and the plan was initiated in June 2018.

2.9 Continuous Improvement

Corporate Property and VINCI have continued to drive improvements and efficiencies through the use of LEAN Methodology and improved reporting.

- **Sharing LEAN Principles.** Corporate Property and VINCI have broadened the work on LEAN principles working with other LCC teams including that undertake functions or services that have cross-overs with Corporate Property. This is to reduce duplications and clarify roles and responsibilities across LCC teams and engender a 'ONE Team' approach across the directorates. Two Greenbelt review processes have been initiated with Environment and Economy and the Sustainability teams.
- **PowerBI Reporting.** VINCI has developed the reporting capability from the data held in Concerto. This has initially been focussed on 2 main areas:

- **Statutory Compliance.** In order to demonstrate a compliant estate Corporate Property must be able to access timely and accurate data presented in a simple format. This has been achieved by creating a summary dashboard in Power BI backed up by a more detailed and live dashboard available in Concerto if more detail is required. This enables a user to drill down to identify any trends and areas that require additional focus.
- **Reactive Revenue Spend.** VINCI have developed Power BI dashboard reports that are used during Area Reviews to identify buildings that are costly to maintain. By reviewing trends on categories of high spend, Corporate Property can identify potential invest to save projects that may benefit from a capital investment to reduce future revenue maintenance spend.

3. Conclusion

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

4. Consultation

a) Policy Proofing Actions Required

N/A

5. 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.

This page is intentionally left blank