



**Open Report on behalf of Andrew Crookham,
Deputy Chief Executive & Executive Director - Resources**

Report to:	Overview and Scrutiny Management Board
Date:	12 March 2024
Subject:	Property Services Contract Year 8 Report and Interim for Year 9

Summary:

This report updates the Board on the performance of the Property Services Contract with VINCI Facilities at the end of the seventh year of the contract with an interim report for year eight.

Actions Required:

The Overview and Scrutiny Management Board is asked to:

1. seek assurance on the performance of the Property Services Contract.
2. provide feedback and challenge as required.

1. Background

In March 2023, the Overview and Scrutiny Management Board considered the performance of the VINCI contract for year seven (2021-2022). This report informs the Board about the performance of the contract in year eight (2022-2023) and furthermore, provides an interim report on year nine (2023-2024).

2. Contractors Performance

2.1 Service Manager's Assessment

As reported in the previous report, rising costs across the property and construction industry has been a challenge to Corporate Property department and the wider One Team.

In respect to property running costs, energy costs have seen a sharp increase with gas prices increasing by 175% in April 2023 and electricity increasing by 20% in October 2023.

On 9 January 2023, the government announced a new scheme called the Energy Bills Discount Scheme (EBDS). This scheme would provide a reduced level of support for non-domestic customers compared to the previous Energy Bill Relief Discounts (EBRD).

The EBDS will run for 12 months, from 1 April 2023 to 31 March 2024, and will be automatically applied to the invoices.

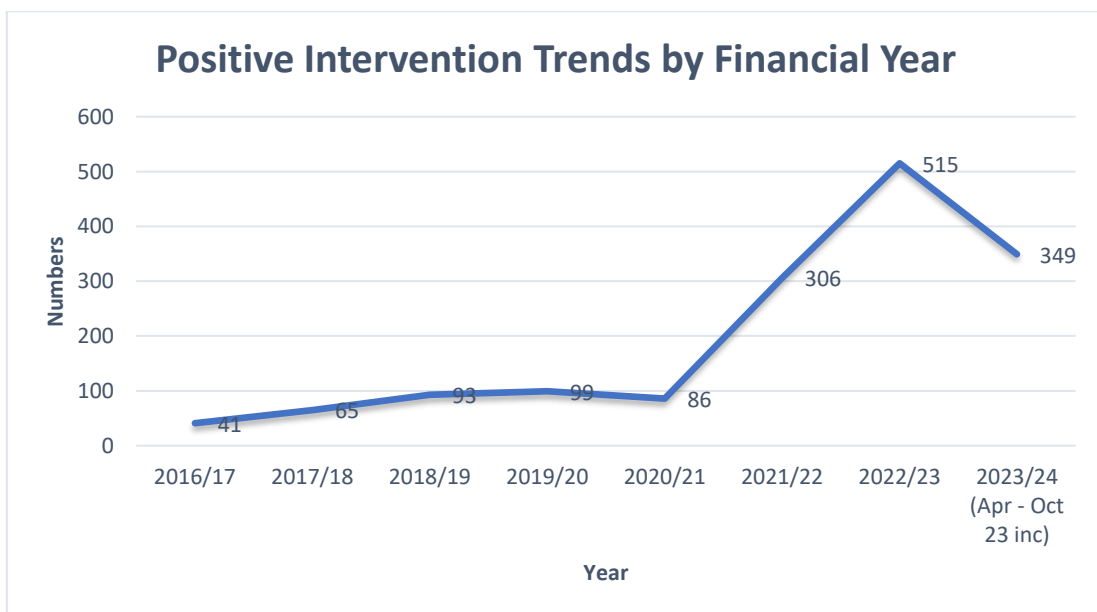
LCC have received a total of £50,900 via the scheme across both the school and non-school portfolios from April 2023 to December 2023.

The latest energy briefing from ESPO is forecasting a 10-15% decrease in gas prices from April 2024 and a 25-30% decrease in electricity from October 2024.

Construction financing and costs are impacted by a variety of economic factors. Notably an increase in interest rates have an impact on the cost of raw materials, labour hiring rates, wages, and construction materials, therefore these effects the overall cost of a construction project. The current interest rate of 5.25% (as of January 2024) is the highest since 2008.

Similar trends are expected to occur within facilities management, with cleaning costs expected to increase by 34% over the next 5 years according to the Building Cost Instruction Service (BCIS)* with shortage of workers and rising wages cited as a reason for the increase. During the course of the property contract, rises in the minimum wage have impacted on the cleaning costs.

2.2 Health and Safety



Positive interventions continue to increase year-on-year. Up to 31 October 2023, VINCI has recorded 349 positive interventions. We forecast based on the average that; this financial year will be the highest positive intervention count since 2016 at 598.

The majority of the positive interventions are undertaken by specialist VINCI mobile resource technicians (MRTs). The technicians are encouraged to undertake a positive intervention where possible and receive frequent training to spot potential risks and threats to health and safety of visitors, staff, and the public in general.

There are many examples of close calls and positive interventions (CCPIs) being reported during the past year, VINCI staff are trained to spot health and safety, security and environmental risks and issues whilst visiting LCC sites. One example was of a visit to a void property: Nettleham Linelands, which has been secured however when a VINCI staff member attended the sight, they noticed a steel window guard had become detached due to the weather. This was subsequently reported, and the window guard was refixed. Nettleham Linelands is currently in the process of being sold.

A key priority for the contract is operating safely and a key component of that is positive interventions to offset accidents or incidents before they happen.

There were seven reported injuries reported so far in 2023/24. Three of the seven relate to general hazard awareness injuries with appropriate toolbox talks being undertaken with staff to be more aware of workplace hazards. A security officer dropped a box that he was carrying down a flight of stairs and injured his arm. Manual handling refresher training was undertaken with staff.

The bi-annual Health and Safety Committee continues to meet to discuss improvements in sub-contractor health and safety practice. This committee feeds into the corporate health and safety groups within Lincolnshire County Council to ensure best practice and learning remains high.

2.3 Finance

- **Pain/Gain Result for 2022/23.** A proportion of the contract operates on a target cost basis, the costs of which were competitively tendered. The collaborative principle of shared risk against target costs has incentivised the identification of inefficiencies.

The pain/gain element to the contract are calculated as follows:

Share	LCC	VINCI
Gain i.e. under target	50%	50%
Pain from 101% to 110%	50%	50%
Pain from 111% to 120%	25%	75%
Pain over 120%	0%	100%

The gain-share for year seven and year eight is broken down for comparison in the table below:

Item	Year Seven	Year Eight
Contract Target Costs Gain	£274,112.62	£400,427.37
LCC/VINCI split	£137,056.31	£200,213.69
LCC share	£143,319.78	£210,324.48
KPI % deduction applied	£130,792.84 to VINCI	£190,102.89 to VINCI

The gain share in year eight is attributed to savings on the commissionaire/security team from VINCI's insource from a subcontractor which occurred in year six. In addition, VINCI's subcontractors held their prices for the third year of a three-year period which is an avoided cost to the Council.

- **Low Service Damages (LSDs).** One of the performance levers within the contract is the application of Low Service Damages for reactive and planned maintenance tasks. Each task is time-bounded and failure to meet the time constraints without adequate justification will lead to an LSD per job. Sanctions for delayed response and completion range from £150 to £250 per occurrence depending upon the type of job.

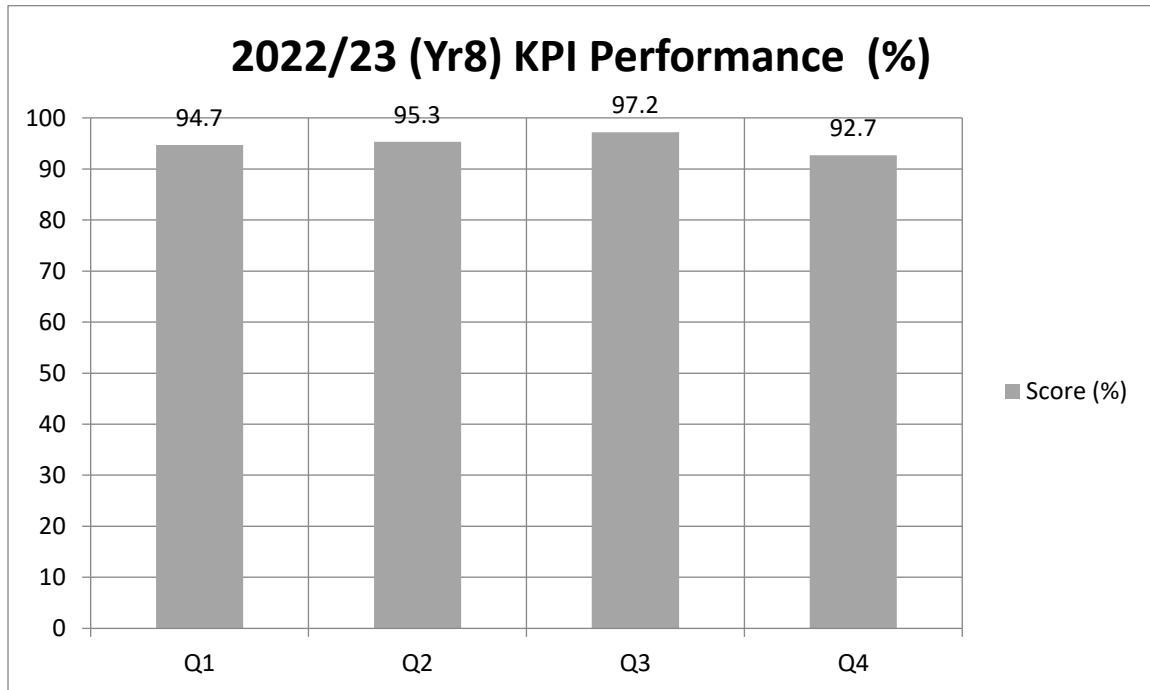
The following shows the value of (credits) generated from LSDs:

Year	Sum of LSDs
2016/17 (Year 2)	£37,950
2017/18 (Year 3)	£10,250
2018/19 (Year 4)	£53,000
2019/20 (Year 5)	£38,650
2020/21 (Year 6)	£8,350
2021/22 (Year 7)	£6,400
2022/23 (Year 8)	£8,050
2023/24 (Year 9) to end of Dec 2023	£14,700
Total	£177,350

Recent financial are showing a reduction in respect to LSD charges, as VINCI is working more closely on educating their supply chain on ensuring that work is completed within timescales, closer working and implementing routine quality audits. Furthermore, an additional £3,276.96 (Year 8) and £6,877.85 (Year 9 to date) respectively was recouped from poor subcontractor performance.

2.4 Key Performance Indicators (KPIs) – Year Eight

Year seven outturn was 94.95% which is a slight reduction in performance from 95.4% outturn for year seven. The annual 'stretch' target is 90%, the baseline (contract) target is 75%. The chart below shows the annual results by quarter.

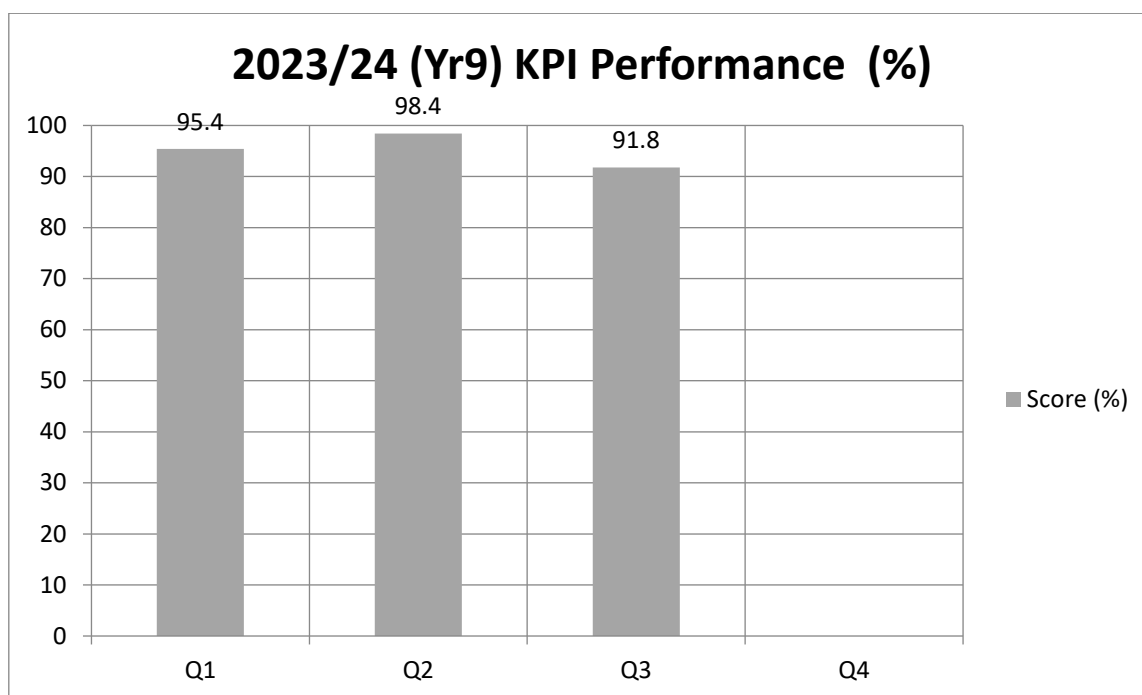


Generally, VINCI performed well in year eight, Q4 saw a drop to 92.7% which was attributed to one failure to complete statutory testing and inspections within contractual timescales. It is worth noting however that the contract has more strict timescales here than the regulation requires, and the task was subsequently completed. Furthermore, in terms of context, there were 111 tasks in total here and one was a failure, that is 99% completion criteria against the total jobs, but the scoring mechanism of the contract is tougher in terms of a score reduction because of the critical nature of these jobs.

Furthermore, there were some failures on reactive jobs, four in total. Again, to put this measure into context, there were 173 reactive jobs in total for the quarter, four of which fell outside of the contractual timescales.

Year Nine to date

Performance has remained consistently high during year nine to date as can be seen in the chart below. There was a dip in performance during quarter 3, this is mainly due to two missed planned maintenance tasks which have subsequently been completed but outside of contractual timescales. Again, of the 84 planned maintenance tasks during the quarter, two were failures. In terms of percentage of tasks, that is a 97.6% completion rate. Furthermore, there were 6 failures with reactive maintenance tasks.



2.5 Special Educational Needs and Disability (SEND) Projects

The SEND programme is well underway, several projects have now completed. Two brand new schools are open to pupils, a new 148 place School, Boston Endeavour Academy in September 2021 and a new 130 place Primary School, Lincoln St Christopher’s Primary school in March 2023. Along with new schools we have seen expansions to Bourne Willoughby Academy, Spilsby Eresby School. Louth St Bernard’s school, and Spalding Tulip Academy, opened in December 2021, May 2022, September 2022 and April 2023 respectively.

Projects currently underway are the expansion St Christopher’s Secondary School, with works progressing well for a September 2024 opening to pupils. Along with the expansion of St Christopher’s Secondary, the new 150 place school At Horncastle is nearing completion. The new building was completed and handed over to the school in October 2023 and the demolition of the old school building is ongoing along with the reversion of outdoor play facilities and parking. The whole project is due to complete early summer 2024.

Pre-construction activities continue at both Lincoln St Francis School and Gosberton House Academy. St Francis School will see a large-scale refurbishment with works planned to start on site in the summer of 2024, Gosberton House Academy will be provided with a 4-classroom new block with works anticipated to begin on site in the summer of 2024.

2.6 Capital Receipts

The Kier Estates team manage the capital receipts service on behalf of the Council. For the 2023/24 financial year, disposals total £5.2m net. The completion of Morton Estate 212B (12.4 acres of development land) was completed during August 2023, which was the largest disposal, £2.7m net. Gainsborough former Castle Hills School site disposal was £1.1m net which was completed in July 2023.

2.7 Re-Procurement of the Property Contract

The current Property Services contract expires on 31 March 2025 and there are no further opportunities to extend this contract.

Following the report presented to the Executive in July 2023, the Corporate Property team having been working hard with the Commercial, Legal, Finance and HR teams to implement the recommendations.

At the current time of writing this report the separate Facilities Management contract is currently out to tender via a negotiated route. The tender has progressed through Selection Questionnaire phase and is currently at invitation to submit initial tender (ISIT) phase. The tender process is expected to be completed by the Summer of 2024 to allow for a mobilisation period prior to the commencement on 1st April 2025.

The property Professional Services outsourced element is going to market engagement at the end of February 2024.

As per the Executive approval in July 2023; the intention is to insource specific elements of the property contract, such as estates management and valuation service, property records, asbestos and energy and environmental management services. This work will be completed by 31 March 2025.

2.8 VMOST

VMOST, (**V**ision, **M**ission, **O**bjectives, **S**trategies and **T**actics) is a business planning model which the Resources directorate has initiated directorate-wide with specific objectives that impacts on Corporate Property, hence the development of a Corporate Property VMOST.

The new Corporate Property VMOST strategies are as follows:

- 1) Drive Service Transformation from the implementation of the new Property Services contract Increase the efficiency and effectiveness of the estate.
- 2) Enhance our Corporate Landlord Model to ensure intelligence led property related decisions.
- 3) Develop and implement an effective Corporate Property Strategy.
- 4) Increase the efficiencies of the estate through Property Rationalisation.
- 5) Reduce the Carbon Footprint of the property estate.

- 6) Ensure our property estate is compliant with all health and safety legislation.

There are specific tactics, which underpin the strategies and ultimately the vision “We are a high performing, integrated team delivering a sustainable property estate.” These tactics are reviewed frequently and reported back at Resources directorate meetings.

3. Conclusion

The Board is asked to review performance of year eight and the interim report for year nine. Corporate Property is continuing to work hard to deliver and identify further opportunities for efficiencies, savings and to work more effectively within the One Team.

4. Consultation

a) Risks and Impact Analysis

Not Applicable

5. Background Papers

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

6. Reference Papers

* BCIS facilities management forecast (21 December 2023)

Link: <https://bcis.co.uk/news/bcis-five-year-facilities-management-forecast/>

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